

BOARD OF TRUSTEES

MEETING MINUTES

October 27, 2018

CONSENT AGENDA APPROVED MINUTES:

ACADEMIC AFFAIRS & STUDENT LIFE: SEPTEMBER 26, 2018

INSTITUTIONAL ADVANCEMENT, MARKETING & COMMUNICATIONS: SEPTEMBER 26, 2018

FINANCE & FACILITIES: SEPTEMBER 26, 2018

RISK MANAGEMENT & AUDIT: SEPTEMBER 26, 2018

EXECUTIVE: SEPTEMBER 26, 2018

RISK MANAGEMENT & AUDIT: October 10, 2018

**BOARD OF TRUSTEES
October 17, 2018**

PRESENT: Trustees Mattera (chair), Zahlaway-Belsito, Butts, Chisholm, Contreras, DeSimone, Katzman (phone), Lutts, Russell and Wilkens. Also participating at the meeting were President Keenan and Board Secretary Montague and Assistant Secretary Sadowski.

ABSENT: Murphy

The provisions of General Laws, Chapter 30A, having been complied with and a quorum of the Board being present, the Board of Trustees of Salem State University held a regular meeting in Viking Hall 123, Central Campus, Loring Avenue, Salem, Massachusetts, on October 17, 2018 with Paul Mattera, Chair, presiding.

Note - In accordance with the Open Meeting Law all meeting votes are taken by roll call when there is remote participation.

* * *

I. CALL TO ORDER - Chair Mattera called the meeting to order at 5:00 pm. The Chair announced that all votes would be taken via roll call in accordance with the Open Meeting Law.

Call to Order

II. CONSENT AGENDA - Chair Mattera read the items contained on the Consent Agenda and asked for any objections or modifications and hearing none he asked if there was a motion. Trustee DeSimone duly offered a motion to approve which was seconded by Trustee Lutts, upon a roll call vote it was unanimously

Consent Agenda

VOTED: To approve the Consent Agenda of October 17, 2018 (CA-18-01).

Voting in the affirmative: Chisholm, Contreras, DeSimone, Katzman, Lutts, Russell, Wilkens and Mattera (chair)
 Voting in the negative: None
 Absent: Zahlaway Belsito, Butts and Murphy

* * *

III. COMMITTEE ACTIONS –

Committee Actions

Academic Affairs and Student Life - Trustee DeSimone presented the committee’s recommended motion and hearing no further discussion asked for a second. Trustee Contreras seconded the motion and upon a roll call vote it was unanimously,

Academic Affairs:

VOTED: To recommend to the full board the personnel actions for Associate Professor Tiffany Chenault for Faculty Promotion to the rank of Full Professor as presented. (AA-18-01)

MSCA Personnel Action Promotion to Full Professor (Chenault)

Voting in the affirmative: Chisholm, Contreras, DeSimone, Katzman, Lutts, Russell, Wilkens and Mattera (chair)
 Voting in the negative: None
 Absent: Zahlaway-Belsito, Butts and Murphy

**Trustee Butts joined the meeting at 5:05 pm*

Finance and Facilities: As Trustee Katzman was participating by phone, Trustee Russell presented the recommended motions on behalf of the committee. Trustee Russell offered the first motion, Trustee Katzman moved and Trustee DeSimone seconded the motion, hearing no further discussion and upon a unanimous roll call vote it was,

Finance & Facilities:

Amend Finance & Facilities Charter

VOTED: The Board of Trustees of Salem State University hereby amends the Finance and Facilities Committee charter as presented. (FF -18-01)

Voting in the affirmative: Butts, Chisholm, Contreras, DeSimone, Katzman, Lutts, Russell, Wilkens and Mattera (chair)
Voting in the negative: None
Absent: Zahlaway-Belsito and Murphy

Trustee Russell read the next motion regarding St. Jean’s Credit Union, Trustee Lutts made the motion which was duly seconded by Trustee DeSimone and with no further discussion and upon a unanimous roll call vote it was,

St. Jean’s Credit Union Bank Account

VOTED: The Board of Trustees authorizes the university to open a bank account at St. Jean’s Credit Union bank to deposit daily receipts. Authorized signers on the account will be the vice president for finance and facilities/CFO, university controller, associate director of accounts payable and associate director of payroll. (FF-18-02)

Voting in the affirmative: Butts, Chisholm, Contreras, DeSimone, Katzman, Lutts, Russell, Wilkens and Mattera (chair)
Voting in the negative: None
Absent: Zahlaway-Belsito and Murphy

Trustee Russell then presented the committee’s final motion regarding the Peabody/Bowditch residential hall bathroom renovation. Trustee Contreras offered the motion which was duly seconded by Trustee DeSimone. Trustee Wilkens expressed appreciation for the Board’s transparency regarding the issue of rising fees and Vice President House’s willingness to speak on the topic to the Student Government Association. Wilkens provided feedback from various student groups. Chair Mattera added that transparency and this level of student engagement are important and beneficial for the university. Trustee Katzman noted that with more than \$200M of deferred maintenance the university will have more projects similar to this renovation coming up from time to time. Hearing no further discussion and upon a unanimous roll call vote it was,

Peabody/Bowditch Bathroom Renovations (MSCBA Joint project)

**Trustee Zahlaway-Belsito joined the meeting at 5:09 pm.*

VOTED: The Board of Trustees of Salem State University, working with the Massachusetts State College Building Authority (MSCBA), hereby approves the Peabody/Bowditch Bathroom Renovations project described in Exhibit A. The total project cost will not exceed \$9.5 million. The project is to be financed through a combination of previous project savings of \$200,000, system reserves of \$2 million and proceeds through the sale of revenue

bonds issued by the MSCBA not to exceed a maximum of \$7.3 million for this project. The increase in Salem State's assessment expense will be covered through future rate increases for residential students (approximately \$260 per residential student per year, at current occupancy levels, or 2.6% rent increase per year).

The president and vice president for finance and facilities of the university are hereby authorized to do all things and take all actions necessary to implement this decision. This action shall be effective upon its approval by the Board of Trustees. (FF-18-03)

Voting in the affirmative: Zahlaway-Belsito, Butts, Chisholm,
Contreras, DeSimone, Katzman, Lutts,
Russell, Wilkens and Mattera (chair)
Voting in the negative: None
Absent: Murphy

Chair Mattera then called attention to the Risk Management and Audit motion that was distributed for action and turned the gavel to Trustee Lutts.

Risk Management and Audit: Trustee Lutts reminded the trustees that the Risk Management and Audit Committee met with the Auditors on September 10th to review and approve the draft audits. He then presented the recommended motion. Trustee Zahlaway-Belsito seconded the motion and upon a roll call it was unanimously,

VOTED: The Board of Trustees of Salem State University hereby accepts the following draft audits:

Salem State University Financial Statements and Management's Discussion and Analysis June 30, 2018 and 2017

Independent Auditor's Reports as required by the Uniform Guidance and Government Auditing Standards, June 30, 2018

Further, the Board of Trustees delegates authority to accept the final financial statement package to Vice President Karen House, with the proviso that significant changes from the draft statements, if any, be discussed with the chair of the Risk Management and audit committee. (FF-18-04)

Voting in the affirmative: Zahlaway-Belsito, Butts, Chisholm,
Contreras, DeSimone, Katzman, Lutts,
Russell, Wilkens and Mattera (chair)
Voting in the negative: None
Absent: Murphy

Executive Committee - Chair Mattera reminded the trustees that there was unanimous committee approval for the motion to approve Pam Scott as Trustee Emeritus and that he

Risk Mgmt & Audit:

Acceptance of draft audits:

SSU Financial Statements and Management Discussion & Analysis 6/30/2018 and 2017

Independent Auditor's Reports as required by the Uniform Guidance and Government Auditing Standards.

valued Trustee Scott’s institutional knowledge and looked forward to working with her in the future. President Keenan concurred.

VOTED: The Board of Trustees affirms the nomination of Pam Scott as Trustee Emeritus (EX-18-01).

Voting in the affirmative: Zahlaway-Belsito, Butts, Chisholm, Contreras, DeSimone, Katzman, Lutts, Russell, Wilkens and Mattera (chair)
Voting in the negative: None
Absent: Murphy

*Executive
Trustee Emeritus
Pam Scott*

Chair Matter then moved to the next matter of business which was to amend the Board’s bylaws. University counsel Colucci explained that the recommended motion would amend the bylaws to include the new section for the creation of Trustee Emeritus (previously approved by the board the section clarifies the nomination process), updates to bylaws to comply with the Open Meeting Law (specifically with regard to remote participation in public meeting, and finally a revision to incorporate by mention the committee charters into the Board bylaws.

Chair Mattera presented the committee’s recommended motion and hearing no further discussion it was seconded by Trustee Chisholm. Upon a roll call vote it was unanimously,

VOTED: The Board of Trustees approve the amended bylaws as presented in the attached “Exhibit B”. (EX-18-02)

Voting in the affirmative: Zahlaway-Belsito, Butts, Chisholm, Contreras, DeSimone, Katzman, Lutts, Russell, Wilkens and Mattera (chair)
Voting in the negative: None
Absent: Murphy

*Bylaw
Amendment*

* * *

*President’s
Report*

IV. REPORT OF THE PRESIDENT – President Keenan began his report by saying it was good to have everyone back on campus. He wanted to address the contract issues as the MSCA contract has been a challenge. Cost factors and equivalencies are not equal. The COP continues to advocate as best as they can for the contract to be completed. MSCA President Gubbins concurred. President Keenan thanked Provost Silva and Debra Longo for bringing TEDx to Salem State. The Salem State faculty did a fabulous job on their inaugural TEDx talks which will be available online shortly. In other good news, President Keenan reported that the university is certain that. Certain deficiencies were noted and the school has made the necessary improvements in the areas as needed. The passing rate improved to 79 percent in 2017 and to 89 percent in 2018.

* * *

Chair’s Report

V. REPORT OF THE CHAIR - Chair Mattera began his report by thanking the Committee Chairs for their work and noted that the board had some good conversations about how to engage more with students and the campus community.

Chair Matter then took a few minutes to acknowledge departing student trustees Dan Veira and Andrew Duperval. Trustee Dan Veira was selected by his peers to join the Board in April of 2018. A member of the Salem State Class of 2018, Dan graduated with major in psychology. Dan was a passionate member of the SGA (serving as both a senator and SGA President) and the Alpha Sigma Phi fraternity. Dan participated on the University’s All University Committee, the Academic Policies Committee, and he contributed to the North Campus Precinct Plan. Dan was a tour guide through the Admissions office at one point, and also worked for multiple years as a Building Manager for Student Involvement/Student Life Operations. Trustee Dan Veira served on the following Board Committees: Finance & Facilities and Academic Affairs & Student Life. Trustee Veira thanked the Trustees for the opportunity to serve on the Board and for his time at Salem State.

The Chair then recognized Trustee Andrew Duperval who could not join the Board meeting. Trustee Duperval was a special student and brought a lot of honesty to the Board. He was always engaging and ready to ready to participate in any discussion. Trustee Duperval was elected by his peers to join the Board in September of 2017. A member of the Class of 2018, Andrew majored in corporate finance and accounting and minored in economics. He was the president of the Salem State chapter of the Association of the Brotherhood, which aims to provide welcoming support and improve the retention rate for men of color at Salem State. He was also a member of Black, Brown, and Proud, a student formed group created to give a supportive environment to minorities from all backgrounds and social identities. Since 2016, Andrew has served as the founding president of EntreDupe Investment Club. The club’s mission is to partner with organizations and community leaders to support the families in our communities to create financial stability. Currently Andrew works as the small business coordinator at the North Shore Community Development Corporation

* * *

VI. OLD BUSINESS – None (Institutional Advancement Agenda item removed to a later date TBD.)

* * *

VII. NEW BUSINESS:

Inclusive Excellence/Campus Climate Learning Exercise – As part of the Board’s continuing discussion about the Campus Climate, Interim Chief Diversity Officer Comage began the discussion by providing background information on the Climate Study Project (Attachment NB - 1). She then discussed the Association of Governing Boards of Colleges & Universities’(AGB) Campus Climate statement regarding Campus Climate that had been previously distributed and asked the trustees to break into work groups and to consider some questions concerning:

- How well equipped do trustees feel to navigate issues of diversity, equity, and inclusion as board members?
- In a crisis, who speaks for the board?
- Are diversity and inclusion initiatives, directly tied to the mission and strategic goals of the institution? And if so, how does the board play an instrumental role in creating accountability measures to sustain and/or enhance those goals?

All of the trustees participated in open discussions and the conversations were wide-ranging. The trustees agreed that there would always room for improvement and suggested exploring diversity in the curriculum at a later conversation. CDIO Comage took the trustees feedback and agreed to address comments and questions at a later meeting.

Old Business

New Business:

*Inclusive Excellence/
Campus Climate Learning Exercise*

Conflict of Interest & Open Meeting Law

Conflict of Interest & Open Meeting Law Overview – General Counsel Colucci provided an overview of the Open Meeting, Public Records and Conflict of Interest Laws as well as a discussion of Trustee Indemnification and Insurance (Attachment NB - 2). The Open Meeting Law covers all meetings of a public body where deliberations occur with respect to any matter with the body’s jurisdiction. Public Records law provides that every person has a right of access to public information. All Books, papers, maps, photographs, recorded tapes, financial statements, statistical tabulations, or other documentary materials or data, regardless of physical form or characteristics, made or received by any officer or employee of any Massachusetts governmental entity. This includes records kept electronically. There are some exemptions (student records, domestic violence reports, and more.) The General Counsel serves as the Records Access Officer for the university and reviews and responds to most records request. The conflict of interest law seeks to prevent conflicts between private interests and public duties, foster integrity in public service, and promote the public's trust and confidence in that service by placing restrictions on what state employees may do on the job, after hours, and after leaving public service. For advice on State Ethics trustees were urged to contact the attorney of the day at 617-371-9500. The Commonwealth indemnifies trustees so long as trustee’s actions were within scope of their official duties, made in good faith, made without malice. Additionally, the university purchases Directors and Officers insurance. She cautioned that her discussion would extend only as the matters applied to the trustees and should the trustees have any additional questions that they should contact her either by phone or email.

**Trustee Katzman left the meeting (phone) at 6:36 pm*

* * *

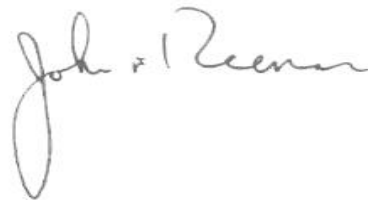
VIII. OPEN FORUM - Chair Mattera announced the open forum portion of the meeting and asked for any comments or discussion. Hearing no comments Chair Mattera then closed the forum.

* * *

IX. ADJOURNMENT - There being no further business to come before the Board and on a motion made by Trustee Lutts and seconded by Trustee DeSimone, it was unanimously:

VOTED: to adjourn the meeting at 6:45 pm

Respectfully submitted,



John Keenan
President

Open Forum

Adjournment

Lynne Montague

Lynne Montague
Secretary to the Board of Trustees

Meeting of the Board of Trustees

Agenda

October 17, 2018 at 5pm

Viking Hall 123

Salem State University

Salem, Massachusetts

Consent Agenda

Approval of the following Meeting Minutes and Committee Reports:

Board of Trustee Meeting: June 6, 2018 (posted separately)

Academic Affairs & Student Life: September 26, 2018

Institutional Advancement, Marketing & Communications: September 26, 2018

Finance & Facilities: September 26, 2018

Risk Management & Audit: September 26, 2018

Executive: September 26, 2018

Risk Management & Audit: October 10, 2018

 REQUEST FOR TRUSTEE ACTION

Date: September 5, 2018
To: Board of Trustees
From: Karen P. House, vice president for finance and facilities
Subject: Finance and Facilities Committee charter
Requested Action: Approval

Reorganization within the university administration requires an amendment to the staff designee(s) for the Finance and Facilities Committee. The assigned staff is the vice president for finance and facilities; a vice president for administration no longer exists. A mark up of the change is below.

Staff Designee:

The vice president for finance and ~~business~~ facilities is the senior staff member supporting the committee for financial and capital planning matters. ~~The general counsel/vice president for administration is the senior staff member supporting the committee for capital planning matters~~

MOTION


The Finance and Facilities Committee recommends that the Board of Trustees approve the following motion regarding the Finance and Facilities Committee Charter.

Recommended motion

The Board of Trustees of Salem State University hereby amends the Finance and Facilities Committee charter as presented.

Committee Assigned: Finance and Facilities
 Committee Action: Approved
 Date of Action: September 26, 2018

Trustee Action: Approved
 Trustee Approval Date: October 17, 2018
 Effective Date: October 17, 2018

Signed: 
 Title: Secretary of Board of Trustees
 Date: 10/17/2018



Board of Trustees Finance and Facilities Committee Charter

Purpose:

The Finance and Facilities Committee of the Board of Trustees shall be a permanent committee which will exercise fiduciary responsibilities and financial oversight for the university to assist management in discharging its responsibilities to ensure financial stability and to develop and maintain the long term economic health of the university in support of its mission and priorities. The Committee will exercise fiduciary responsibilities to assist management in discharging its responsibilities to ensure appropriate capital planning and development for the university, inclusive of facilities and information technology. The Committee makes recommendations to the Board of Trustees regarding financial policies, capital planning, and related matters.

Responsibilities:

Financial Affairs

1. Advise the Board on policies relating to financial matters (accounting, budgeting, financial reporting, investment, and debt management).
2. Advise the Board on proposed debt issuance.
3. In conjunction with the Risk Management and Audit Committee, review the annual financial statements.
4. Review reports, studies, information and recommendations as deemed necessary for the proper and effective exercise of financial oversight responsibilities. Periodic reports reviewed may include budget, fiscal condition, investment and debt information and, to the degree appropriate, will include past, current and future (projected) data.
5. Meet periodically with the university's investment advisor and assess investment performance consistent with the university's investment policy.
6. Review on a periodic basis the financial metrics by which the university's financial health is measured, including debt capacity reports.
7. Review the short term and long term financial plans of the university.
8. Review and recommend an annual plan of financial operation (budget).
9. Review and recommend to the Board fee rates to be charged to students as applicable under state law; this typically includes mandatory fees charged to all students. Tuition is set by the Commonwealth; the rent component of the room rate is set by the Board of Higher Education; fees not applicable to all students, including a variety of miscellaneous fees and board rates are the responsibility of the president.

Capital Planning

1. Review and recommend policies relating to property, buildings, land acquisition/sale/exchange, site development, and construction.
2. Review and recommend plans relating to facilities and long-range capital outlay budgets.
3. Oversee the development and continuing review of a master vision (capital plan) for the university.
4. Recommend capital projects, real property transactions, and major IT acquisitions that should be undertaken.
5. Periodically review the progress on major capital projects.

Membership:

The committee shall have not fewer than three Trustees appointed by the chair of the Board. The president shall be a member of the committee, ex officio, non-voting. The chair shall be a member of the committee, officio voting. Committee members may include individuals who are not trustees so long as the majority membership of the committee is comprised of trustees. The chair shall have the authority to appoint non-trustee members advisory, non-voting to the committee to serve until the next annual meeting. Members may be appointed to the committee, on a temporary basis, by the chair, as may be required.

Quorum:

A majority of the members shall constitute a quorum.

Meetings:

The committee is expected to meet at least four times each fiscal year and more if needed to facilitate prudent and timely decision making. The meetings shall be conducted in conformity with the state's Open Meeting Law. Executive sessions may be conducted periodically and shall be limited to those matters permitted by the state's Open Meeting Law.

Staff Designee:

The vice president for finance and facilities is the senior staff member supporting the committee for financial and capital planning matters.

Agenda, Minutes, and Reports:

The chair of the committee, in collaboration with the staff designees, shall be responsible for establishing the agendas for meetings. An agenda, together with relevant materials shall be made available to committee members at least five days in advance of the meeting. Minutes for all meetings shall be drafted by the staff

12/2/2015 Approved by the Salem State University Board of Trustees
3/29/2017 Reviewed by the Finance and Facilities Committee, no changes.
10/17/2018 Revision approved by the Salem State University Board of Trustees

designee, reviewed by the committee chair, and approved by committee members at the following meeting.

12/2/2015 Approved by the Salem State University Board of Trustees
3/29/2017 Reviewed by the Finance and Facilities Committee, no changes.
10/17/2018 Revision approved by the Salem State University Board of Trustees



 REQUEST FOR TRUSTEE ACTION

Date: September 24, 2018
To: Board of Trustees
From: Karen P. House, vice president for finance and facilities
Subject: St. Jean's Credit Union – University Bank Account
Requested Action: Approval

Background

Salem State University has bank accounts at Eastern Bank; the location on Loring Avenue across from the university will be closing soon. Cash and other receipts are deposited at this Eastern Bank location daily. Other Eastern Bank locations are not in close enough proximity to allow the university police to courier deposits. The university plans to open an account at St. Jean's Credit Union at 336 Lafayette Street in Salem where deposits can be couriered cost effectively. Deposits will be transferred daily or as needed from St. Jean's Credit Union to Eastern Bank via ACH.

The following university administrators will be authorized signers on the account: vice president for finance and facilities/CFO, university controller, associate director of accounts payable and associate director of payroll.

Authorization by the Board of Trustees is requested on the motion below.

MOTION

The Finance and Facilities Committee recommends that the Board of Trustees approve the following motion for the university to open a bank account at St. Jean's Credit Union.

Recommended motion

The Board of Trustees authorizes the university to open a bank account at St. Jean's Credit Union bank account to deposit daily receipts. Authorized signers on the account will be the vice president for finance and facilities/CFO, university controller, associate director of accounts payable and associate director of payroll.

Committee: Finance and Facilities
Committee Action: Approved
Date of Action: September 26, 2018
Trustee Action: Approved

Trustee Approval Date: October 17, 2018
Effective Date: October 17, 2018

Signed: *Leanne M. Searles*

Title: Secretary of Board of Trustees

Date: *10/17/2018*



 REQUEST FOR TRUSTEE ACTION

Date: September 25, 2018
To: Board of Trustees
From: Karen P. House, vice president for finance and facilities
Subject: Peabody/Bowditch residence halls plumbing project
Requested Action: Approval

MOTION

The Finance and Facilities Committee recommends that the Board of Trustees approve the following motion regarding the Peabody/Bowditch residence halls plumbing project and debt.

Recommended motion

The Board of Trustees of Salem State University, working with the Massachusetts State College Building Authority (MSCBA), hereby approves the Peabody/Bowditch Bathroom Renovations project described in Exhibit A. The total project cost will not exceed \$9.5 million. The project is to be financed through a combination of previous project savings of \$200,000, system reserves of \$2 million and proceeds through the sale of revenue bonds issued by the MSCBA not to exceed a maximum of \$7.3 million for this project. The increase in Salem State's assessment expense will be covered through future rate increases for residential students (approximately \$260 per residential student per year, at current occupancy levels, or 2.6% rent increase per year).

The president and vice president for finance and facilities of the university are hereby authorized to do all things and take all actions necessary to implement this decision. This action shall be effective upon its approval by the Board of Trustees.

Committee Assigned: Finance and Facilities
Committee Action: Approved
Date of Action: September 26, 2018

Trustee Action: Approved
Trustee Approval Date: October 17, 2018
Effective Date: October 17, 2018

Signed: *Ceyane Soxell*

Title: Secretary of Board of Trustees

Date: *10/17/2018*



Peabody & Bowditch Bathroom Renovations – Description of Project

The primary driver of the bathroom renovation project is to replace aging and failing bathroom infrastructure. MSCBA engaged a design and construction team in Spring 2018 to begin looking into the issues at Peabody and Bowditch. The team did exploratory work over the summer of 2018 to inform the design and provide the most accurate cost information. The engineers made these recommendations regarding the plumbing:

“The existing extra heavy cast iron gravity sanitary waste and vent piping for the toilet rooms’ fixtures and floor drains shall be completely removed up to the underside of the roof. System shall be replaced by new no-hub cast iron stacks and branches on each floor. All piping should be removed. All new piping to serve the toilets shall be installed for the new fixtures and equipment. Materials shall either be copper with press-fit fitting or CPVC piping with solvent welded fittings.”

However, the design will also implement code improvements, reconfigure the layout to create two multi user bathrooms and a single user gender-neutral accessible bathroom on each floor, and provide an updated aesthetic. Renovated bathrooms in these buildings will surely become an attractive feature for prospective students and will raise these older buildings to the standards that the newer buildings have set for the quality of Salem State’s on-campus housing. It will also put Salem’s first year housing in line with that of other State Universities.

The project may be implemented in one or two phases based on conditions and pricing information acquired from exploratory investigations completed by the Design and Construction team in the summer of 2018.

 REQUEST FOR TRUSTEE ACTION

Date: September 25, 2018
To: Board of Trustees
From: Karen P. House, vice president for finance and facilities
Subject: Peabody/Bowditch residence halls plumbing project
Requested Action: Approval

MOTION

The Finance and Facilities Committee recommends that the Board of Trustees approve the following motion regarding the Peabody/Bowditch residence halls plumbing project and debt.

Recommended motion

The Board of Trustees of Salem State University, working with the Massachusetts State College Building Authority (MSCBA), hereby approves the Peabody/Bowditch Bathroom Renovations project described in Exhibit A. The total project cost will not exceed \$9.5 million. The project is to be financed through a combination of previous project savings of \$200,000, system reserves of \$2 million and proceeds through the sale of revenue bonds issued by the MSCBA not to exceed a maximum of \$7.3 million for this project. The increase in Salem State's assessment expense will be covered through future rate increases for residential students (approximately \$260 per residential student per year, at current occupancy levels, or 2.6% rent increase per year).

The president and vice president for finance and facilities of the university are hereby authorized to do all things and take all actions necessary to implement this decision. This action shall be effective upon its approval by the Board of Trustees.

Committee Assigned: Finance and Facilities
Committee Action: Approved
Date of Action: September 26, 2018

Trustee Action: Approved
Trustee Approval Date: October 17, 2018
Effective Date: October 17, 2018

Signed: *Ceyane Soxell*

Title: Secretary of Board of Trustees

Date: *10/17/2018*



Peabody & Bowditch Bathroom Renovations – Description of Project

The primary driver of the bathroom renovation project is to replace aging and failing bathroom infrastructure. MSCBA engaged a design and construction team in Spring 2018 to begin looking into the issues at Peabody and Bowditch. The team did exploratory work over the summer of 2018 to inform the design and provide the most accurate cost information. The engineers made these recommendations regarding the plumbing:

“The existing extra heavy cast iron gravity sanitary waste and vent piping for the toilet rooms’ fixtures and floor drains shall be completely removed up to the underside of the roof. System shall be replaced by new no-hub cast iron stacks and branches on each floor. All piping should be removed. All new piping to serve the toilets shall be installed for the new fixtures and equipment. Materials shall either be copper with press-fit fitting or CPVC piping with solvent welded fittings.”

However, the design will also implement code improvements, reconfigure the layout to create two multi user bathrooms and a single user gender-neutral accessible bathroom on each floor, and provide an updated aesthetic. Renovated bathrooms in these buildings will surely become an attractive feature for prospective students and will raise these older buildings to the standards that the newer buildings have set for the quality of Salem State’s on-campus housing. It will also put Salem’s first year housing in line with that of other State Universities.

The project may be implemented in one or two phases based on conditions and pricing information acquired from exploratory investigations completed by the Design and Construction team in the summer of 2018.

REQUEST FOR TRUSTEE ACTION

As has been discussed, GASB Statement No. 75 – Other Post-Employment Benefits (OPEB) is being adopted for the first time in the FY18 financial statements, with retroactive restatement of prior year(s) figures as required. Please recognize that the university’s auditors cannot finalize the audited financial statements until the Commonwealth’s GASB 75 audit is completed. That audit, performed by others, is well advanced but not yet complete. Figures and disclosures related to GASB 75 were recently received and have been incorporated in the draft financial statement package for FY18, but it is possible that there will be subsequent changes. The university’s auditors will be in attendance at the Oct. 10 Risk Management and Committee meeting and will review the drafts with the committee in detail.

Trustee Lutts **MOVED** that the Risk Management and Audit Committee hereby recommends the Board of Trustees approve the following motion pertaining to the FY18 Salem State University audited financial statements, **SECONDED** by Trustee Zahlaway-Belsito:

RECOMMENDED MOTION

The Board of Trustees of Salem State University hereby accepts the following draft audits:

Salem State University Financial Statements and Management’s Discussion and Analysis June 30, 2018 and 2017

Independent Auditor’s Reports as Required by the Uniform Guidance and Government Auditing Standards, June 30, 2018

Further, the Board of Trustees delegates authority to accept the final financial statement package to Vice President Karen House, with the proviso that significant changes from the draft statements, if any, be discussed first with the chair of the Risk Management and Audit committee.

Committee Assigned: Risk Management and Audit

Committee Action: Approved

Date of Action: October 10, 2018

Trustee Action: Approved

Trustee Approval Date: October 17, 2018

Effective Date: October 17, 2018

Signed: *Ayana Norjiv*

Title: Secretary of the Board of Trustees

Date: *10/17/2018*



Adopted by the Salem State University Board of Trustees, 10/10/12

**BOARD OF TRUSTEES
SALEM STATE UNIVERSITY**

The Salem State University Board of Trustees is established and responsibilities defined by the General Laws of Massachusetts, as referenced at the end of this document.

ARTICLE 1: ORGANIZATION AND OFFICERS OF THE BOARD OF TRUSTEES

SECTION 1: COMPOSITION AND FUNCTIONS OF THE BOARD. The composition, functions, duties, powers and responsibilities of the Board of Trustees, its committees, or subcommittees, shall be as provided and authorized by the laws of the Commonwealth as in effect from time to time, subject to such rules, regulations, policies or guidelines as the Board of Higher Education may, from time to time, adopt, amend or repeal for the management, control, administration, or regulation of the system of public higher education, or any part thereof.

SECTION 2: BOARD MEMBERSHIP. The Board of Trustees shall consist of eleven members, one of whom shall be an alumnus of Salem State University; one member to be elected thereto by the Alumni Association of Salem State University who shall serve a term of five years; and one full-time undergraduate student member to be elected by the student body annually.

The members appointed by the Governor shall serve for a term of five years, but no member shall be appointed for more than two consecutive terms. Succeeding appointments shall be made for five year terms and any vacancy on the Board shall be filled for the duration of the term, in the same manner as the prior appointment. The Chair shall notify the Governor when any vacancy exists.

The term of office for the elected student member shall be for one year beginning on July 1 following his/her election. The student member shall be eligible for re-election for as long as said student remains a full-time undergraduate student. If at any time during the elected term of office said student member ceases to be a full-time undergraduate student, the membership of said student on the Board shall be terminated and the office of the elected student member shall be deemed vacant. A vacancy in the office of the elected student member prior to the expiration of a term shall be filled for the remainder of the term in the same manner as student elections to full terms, except in the case of the trustee's graduation from the university. Per MGL Ch. 15A, Sect. 21, if a successor trustee has been selected by the student body at the time of the trustee's graduation from the institution, the successor may assume the seat of the student trustee upon the latter's graduation.

The members of the Board recognize and acknowledge that, by taking up their appointments as such, they have assumed an obligation, fiduciary in its nature, to conduct themselves, to exercise their authorities and to discharge their responsibilities for the benefit of the University and of those whom it serves and not for any other purpose. They also therefore recognize and acknowledge that it is both necessary and appropriate for all members of the Board to be regular in their attendance at meetings of the Board and at meetings of the committees on which they

Adopted by the Salem State University Board of Trustees, 10/10/12

serve, to assume an equitable share of the responsibilities that fall to members of the Board individually, to inform themselves concerning the University's mission and purpose and to commit themselves to promoting the University's success in its efforts to provide an excellent and accessible education to its students.

SECTION 3: OFFICERS OF THE BOARD. The elected officers of the Board of Trustees shall be a Chair and a Vice Chair. Each officer shall have the duties, functions, powers and responsibilities of her/his office as prescribed by the laws of the Commonwealth, these Bylaws, and parliamentary custom.

Such officers shall be elected by the Board of Trustees at its annual meeting in June, upon nomination by the Nominating Committee as provided in Article III, Section 2, or otherwise, and they shall hold office for a term of one year commencing on the first day of July, or until their respective successors are elected. The Chair and Vice Chair of the Board shall be Trustees.

The President of the University shall also be an officer of the Board of Trustees, ex officio, non-voting and shall have such duties, functions, powers and responsibilities as the Board of Trustees may from time to time prescribe consistent with the laws of the Commonwealth.

SECTION 4: THE CHAIR OF THE BOARD OF TRUSTEES. The Chair of the Board of Trustees shall have the following powers and duties:

- (a) To preside at all meetings of the Board of Trustees at which s/he is present. In her/his absence, the Vice Chair of the Board shall preside. In the absence of both, a chair pro tempore shall be elected.
- (b) To call regular and special meetings of the Board of Trustees.
- (c) To serve as Chair of the Executive Committee.
- (d) To serve as an ex officio voting member of all standing committees of the Board of Trustees.
- (e) To appoint Standing Committees, Nominating Committee, and other special committees of the Board of Trustees, and the Chair thereof. All committee assignments shall be co-terminus with the Chair.
- (f) To appoint successor members and the chairs of standing committees, other than the Executive Committee, in the event that for any reason a vacancy occurs in any such office. A successor so appointed shall serve until the next June 30th.
- (g) To appoint substitute members and chairs of standing committees, other than the Executive Committee, in the event that any such member or chairs thereof declares

Adopted by the Salem State University Board of Trustees, 10/10/12

her/his inability to serve for any period. A substitute so appointed shall serve during such inability.

SECTION 5: THE VICE CHAIR OF THE BOARD OF TRUSTEES. The Vice Chair of the Board of Trustees shall have the following powers and duties:

- (a) To perform all duties of the Chair of the Board of Trustees at her/his request or in case of her/his absence or incapacity.
- (b) To serve as a member of the Executive Committee.

SECTION 6: THE SECRETARY. The secretary shall have the following duties:

- (a) To give written or electronic notice of all regular and special meetings of the Board of Trustees and of special committees thereof, and to compile and distribute agendas therefor.
- (b) To record the proceedings and to prepare minutes of the meetings of the Board of Trustees.
- (c) To preserve all documents, papers and records of the Board of Trustees determined by the Secretary to be a part of its official records or necessary to the performance of its duties.
- (d) To conduct correspondence on behalf of the Board of Trustees and to certify official documents and proceedings.
- (e) To perform duties, not inconsistent with those prescribed by these Bylaws or by the Board of Trustees, as prescribed from time to time by the Chair of the Board of Trustees or the President of the University.
- (f) The Secretary to the Board of Trustees shall be an employee of Salem State University who is appointed by the President of the University and approved by the Chair of the Board of Trustees.
- (g) An Assistant Secretary to the Board of Trustees shall also be appointed by the President of the University and approved by the Chair of the Board of Trustees. The Assistant Secretary shall be an employee of Salem State University whose responsibilities will be to assist the Secretary and to support the Board in the absence of the Secretary.

SECTION 7: TRUSTEE EMERITUS

This Board may include up to three fully participating, but non-voting Trustee Emeritus positions. Nominations for trustee emeritus must be approved unanimously by the executive committee and a majority of the full board. Only those Trustees who have completed two (2) full five (5) year terms and one term as Board chair are eligible for nomination. Nominations may be made by any current Trustee to the Board Chair no later than one year after completion of the former Trustee's second term.

Commented [LM1]: Original Board vote required approval by Executive Committee only. Revision required MAJORITY OF BOARD

Deleted: , as approved by

Deleted: a

ARTICLE II: MEETINGS OF THE BOARD.

SECTION 1: ANNUAL AND REGULAR MEETINGS. Four regular meetings, including the annual meeting, shall be held unless otherwise determined by the Board of Trustees. The time and place of such meetings shall be fixed by the Chair of the Board of Trustees in consultation with the President with the exception of the annual meeting to be held in June of each year. All meetings shall be held within the Commonwealth.

SECTION 2: SPECIAL MEETINGS. Special meetings of the Board of Trustees may be held at any time and place within the Commonwealth when called by the Chair of the Board of Trustees or the President of the University or by three Trustees in writing or electronically given to the President specifying the purpose(s) of said meeting. The time and place of such meeting shall be fixed by the Chair of the Board of Trustees in consultation with the President. Notice of such meeting shall be sent to each Trustee as early as possible in advance of the meeting, which notice shall state the time, place, and purpose(s) for which it has been called.

SECTION 3: NOTICE OF REGULAR MEETINGS. Written or electronic notice of each regular meeting of the Board of Trustees shall be sent to each Trustee by mail at least seven days prior to the date fixed for said meeting, which notice shall state the time and place.

SECTION 4: AGENDA OF REGULAR BOARD MEETINGS. A written agenda of matters to be considered at each regular meeting of the Board of Trustees shall be sent to each Trustee by mail at least five days prior to the date fixed for said meetings.

Items to be included on the agenda for a regular meeting shall be submitted to the President in writing or electronically by (a) recommendation of a standing or other committee of the Board of Trustees, or (b) the Chair of the Board of Trustees.

Commented [LM2]: Insert missing word

Formatted: Highlight

Formatted: Font color: Red, Highlight

Formatted: Font color: Red

No item shall be included on the agenda for a regular meeting except upon consideration and recommendation by a standing or other committee of the Board of Trustees; provided, that at any regular meeting the Chair of the Board of Trustees and the President of the University, and any Trustee upon majority vote of said Board, shall be entitled to present matters to the Board of Trustees for its consideration without prior reference to a committee.

SECTION 5: QUORUM. The number of Trustees necessary to constitute a quorum for the transaction of business shall be six. When a quorum is present at any meeting, a majority of the Trustees present may take action on behalf of the Trustees, except that an affirmative vote of two-thirds of the entire voting membership of the Board is required for the appointment or removal of the President of the University.

SECTION 6: EXECUTIVE SESSIONS. Unless the Board shall otherwise direct at any time or from time to time, executive sessions of the Board will include the Trustees and the president and shall be convened and conducted in conformity with the state's Open Meeting Law. Other individuals may be invited to attend an executive session in order to give information or advice as deemed necessary or appropriate by the Board. The topics and purposes of executive sessions shall be limited to those matters permitted by the state's open-meeting law.

SECTION 7: REMOTE PARTICIPATION. Under the Massachusetts Open Meeting Law, Gen. Laws c.30A, sect.18-25, Trustees may participate in public meetings remotely via the use of technology if physical attendance would be unreasonably difficult; provided Trustees who participate remotely and all persons present at the meeting location shall be clearly audible to each other, as required by M.G.L. c. 30A, §20(d).

A quorum of the body, including the chair or, in the chair's absence, the person authorized to chair the meeting, shall be physically present at the meeting location. Trustees who participate remotely may vote and shall not be deemed absent. Trustees shall be permitted to participate remotely in a meeting provided they notify the person chairing the meeting prior to the meeting as soon as reasonably possible of their desire to do so and the reason for and facts supporting their request.

At the start of the meeting, the chair shall announce the name of any member who will be participating remotely. This information shall also be recorded in the meeting minutes. All votes taken shall be by roll call vote.

The following media, with accommodations if necessary, are acceptable methods for remote participation: telephone, internet, satellite enabled audio or video conferencing, or any other technology that enables the remote participant and all persons present at the meeting location to be clearly audible to one another. When video technology is in use, the remote participant shall be clearly visible to all persons present in the meeting location.

SECTION 8: RULES OF PROCEDURE. Business before the Board shall be conducted according to the latest edition of Standard Code of Parliamentary Procedures by the American Institute of Parliamentarians when not inconsistent with these bylaws unless otherwise provided in these By-Laws or by the Board.

Formatted: Font: Times New Roman, 12 pt, Font color: Red

Commented [LM3]: Revised – Text revised to comply with updated Open Meeting Law

Formatted: Font: 12 pt, Font color: Red

Formatted: Font: (Default) Times New Roman, 12 pt, Font color: Red

Deleted: may participate in public meetings remotely via the use of technology under prescribed circumstances. These circumstances include: 1) personal illness; 2) personal disability; 3) emergency; 4) military service; or 5) geographic distance. A member wishing to participate remotely must first receive a determination from the secretary that one of the above requirements has been met. For the meetings to proceed, the chair of the convening body – or his/her replacement – must be present and a quorum must exist in the meeting location. Votes taken during meetings where there is remote participation shall be by roll call.¶

Adopted by the Salem State University Board of Trustees, 10/10/12

ARTICLE III: COMMITTEES OF THE BOARD OF TRUSTEES.

SECTION 1: STANDING COMMITTEES. There shall be five standing committees of the Board of Trustees: (1) Executive Committee, (2) Academic Affairs and Student Life, (3) Finance and Facilities, (4) Institutional Advancement, Marketing and Communications, and (5) Risk Management and Audit.

SECTION 2: NOMINATING AND OTHER SPECIAL COMMITTEES. There shall be a Nominating Committee of the Board of Trustees, whose members shall consist of such Trustees as may be appointed by the Chair of the Board of Trustees and who shall serve until the next annual meeting. The Board of Trustees may establish other special committees from time to time to have such duties as it may determine, the members of which shall be appointed by the Chair of the Board of Trustees.

SECTION 3: MEMBERS OF COMMITTEES. Each standing Committee, except the Executive Committee, shall have not fewer than three Trustees appointed by the Chair of the Board. The President shall be a member of each Committee, ex officio, non-voting. The Chair shall be a member of each committee, ex officio, voting. Committee members may include individuals who are not trustees so long as the majority membership of the committee is comprised of trustees. The Chair shall have the authority to appoint non-trustee members advisory, non-voting to committees to serve until the next annual meeting. Members may be appointed to Committees, on a temporary basis, by the Chair, as may be required.

SECTION 4: COMMITTEE MEETINGS. Committee meetings may be held at any time and place when called by the Chair of the Committee, the Chair of the Board of Trustees, the President of the University, or a majority of the members of the committee. The President of the University chooses a University Liaison for each Committee. A University Liaison is the Area Head or the individual with the greatest responsibility in said area.

Notice of each regular committee meeting shall be sent to each Trustee at least seven days prior to the date fixed for said meeting, which notice shall state the time and place. Notice for a special committee meeting shall be sent to each Trustee as early as possible in advance of the meeting, also stating the time and place as well as the purpose(s) for which it has been called.

The Chair of the Board of Trustees or the President of the University may call a meeting of the Executive Committee by declaring that an emergency condition exists. An emergency condition shall be defined as a sudden set of circumstances arising which require the need for immediate action. The Chair of the Board of Trustees or the President of the University shall fix the time and place of such emergency meeting. The Secretary of the Board of Trustees shall send a written or electronic notice of the time and place of the Executive Committee Emergency Meeting to each member.

Adopted by the Salem State University Board of Trustees, 10/10/12

The members present at any meeting of a standing committee shall constitute a quorum for the transaction of business, provided that in the case of the Executive Committee, a majority of the members shall constitute a quorum.

SECTION 5: AGENDA OF COMMITTEES OF THE BOARD. A written or electronic agenda of matters to be considered at each meeting of a committee of the Board of Trustees shall be sent to each committee member as early as possible in advance of the meeting. Items to be included on committee agendas shall be submitted in writing or electronically to the President by the Committee Liaison or Chair of the Committee.

SECTION 6: THE EXECUTIVE COMMITTEE. The Executive Committee shall be composed of the Chair and Vice Chair of the Board of Trustees, the President of the University, and three additional Board members elected to this committee by the Trustees at the annual meeting. This Committee shall have the following powers and duties:

- (a) To act upon matters for the Board of Trustees, when immediate action is necessary.
- (b) To consider and act upon proposals by the President for action which the Board may have generally or specifically authorized the President to take with the concurrence of the Executive Committee.
- (c) To review and recommend a prospective list of potential speakers and honorary degree recipients being considered for baccalaureate and graduate commencements. Final approval of all commencement speakers and honorary degree recipients shall rest with the Board of Trustees.
- (d) To conduct upon referral from the Board formal hearings as required by law for the Board of Trustees or any Committee of the Trustees and to make recommendations to the Board concerning any matter heard, provided that hearings required by law to be conducted as adjudicatory proceedings shall be governed by General Laws, Chapter 30A.
- (e) To review recommendations of the President and to recommend all actions required to be taken by the Board of Trustees on personnel (excluding faculty and librarians) from appointment to termination in accordance with collective bargaining agreements, Board of Higher Education and Board policies.
- (f) To review, update, and implement current affirmative action policies of the Board of Trustees and the Board of Higher Education, and to insure compliance with State and Federal Laws.
- (g) To consider legislative and public relations policy interests of the Board of Trustees and of the University and to make recommendations to the Board of Trustees with respect thereto.
- (h) To consider, propose and recommend to the Board of Trustees the adoption, amendment or revision of the Bylaws.

Adopted by the Salem State University Board of Trustees, 10/10/12

- (i) To review recommendations of the President and recommend to the Board of Trustees the naming of buildings, streets, ways, and other properties relating to the campus. Final approval regarding the adoption of said names rests with the Board of Trustees.
- (j) To recommend to the Board of Trustees for appointment four members of the Salem State University Assistance Corporation Board of Directors and the SSUAC Board Chair.
- (k) To review litigation matters involving the university.

SECTION 7: THE COMMITTEE ON ACADEMIC AFFAIRS AND STUDENT LIFE. The Committee on Academic Affairs and Student Life shall have the following powers and duties:

To review and recommend to the Board of Trustees:

- (a) Policies relating to the quality, character, and extent of academic programs, including admissions, instruction, curriculum, degrees, accreditation, public service, and research, in accordance with collective bargaining agreements and the Board of Higher Education's policies.
- (b) Proposals for major new programs and program changes.
- (c) Actions to be taken by the Board of Trustees on the granting of emeritus status to retired faculty.
- (d) Procedures, policies, rules and regulations pertaining to student life.
- (e) Plans and policies concerning health and athletic programs.

To review recommendations of the President and to recommend all actions required to be taken by the Board of Trustees on faculty and librarians from appointment to termination in accordance with collective bargaining agreements, Board of Higher Education and Board policies.

To conduct such inquiries as may be necessary with respect to student matters not of a judicial or academic nature and to report their findings and recommendations to the Board.”

SECTION 8: THE COMMITTEE ON FINANCE AND FACILITIES. The Committee on Finance and Facilities shall have the following powers and duties:

To review and recommend to the Board of Trustees:

- (a) Student fees.
- (b) The operating budget for the University.
- (c) Policies relating to property, buildings, land acquisition, site development, and construction.
- (d) Policies and plans relating to facilities and long-range capital outlay budgets.

And

- (e) To oversee the development and continuing review of a master plan for the University.

SECTION 10: THE INSTITUTIONAL ADVANCEMENT, MARKETING AND COMMUNICATIONS COMMITTEE. The Committee on Institutional Advancement, Marketing and Communications shall have the following powers and duties:

To review and recommend to the Board of Trustees:

- (a) Recommendations with regard to policies and programs related to the advancement of the institution, including fundraising, marketing and communications and activities involving alumni, the community and other external bodies, in order to foster understanding of, and support for, the University and its mission.
- (b) Plans, proposals and the acceptance of major gifts to the foundation on behalf of the University. This will be inclusive of all private funds, including: special gifts, endowments, bequests, and other means.
- (c) Significant branding and positioning strategies for the institution.

SECTION 11: THE NOMINATING COMMITTEE. The Nominating Committee shall nominate candidates for election as officers of the Board of Trustees and shall submit its nominations in writing or electronically to the Secretary at least ten days prior to the date of the annual meeting of the Board of Trustees.

SECTION 12: THE RISK MANAGEMENT AND AUDIT COMMITTEE. The Risk Management and Audit Committee shall have the following powers and duties:

To review and recommend to the Board of Trustees:

- (a) The selection of the independent accountants to perform the annual audit;
- (b) The University's financial statements, ensuring that the statements reflect the University's financial condition;
- (c) The University's internal controls, including those established for financial information systems;
- (d) Actions to address any regulatory compliance issues,
- (e) The University's pending legal cases.
- (f) The University's conflict of interest policy,
- (g) The guidelines and policies that govern the processes by which the University assesses and manages its exposure to risk,
- (h) The University's major financial and other risk exposures and actions to monitor and control such exposures.

SECTION 13: COMMITTEE CHARTERS.

Each committee shall draft a charter which is incorporated by reference into these by-laws. Committee charters shall be reviewed annually at the first committee meeting of each academic

Formatted: Font: 12 pt, Bold, Font color: Red

Commented [LM4]: Section added to incorporate charters into by-laws, require annual review of charters, and set procedure for charter amendment process..

Formatted: Font: 12 pt, Font color: Red

Formatted: Font color: Red

Formatted: Indent: First line: 0", Space After: 0 pt

Formatted: Font: 12 pt, Font color: Red

Adopted by the Salem State University Board of Trustees, 10/10/12

year. Charters may be approved, amended, revised or repealed by vote of a majority of the entire number of Trustees at any meeting of the Board of Trustees; provided, however, that the text of any charter, amendment, revision or repeal as originally proposed shall be sent to the Trustees at least thirty days before the meeting.

Formatted: Font color: Red

ARTICLE IV: MISCELLANEOUS.

SECTION 1: THE SEAL OF THE UNIVERSITY. The Common Seal of the University and of the Board of Trustees shall consist of a flat faced circular die with the words Salem State University, Salem, Massachusetts, Progre~~di~~, the date 1854, and a symbol of a clipper ship engraved thereon.

Deleted: -----Page Break-----

Formatted: Font: Not Bold

SECTION 2: AMENDMENT, REVISION OR REPEAL OF THE BYLAWS. These Bylaws may be amended, revised or repealed by vote of a majority of the entire number of Trustees at any meeting of the Board of Trustees; provided, however, that the text of any amendment, revision or repeal as originally proposed shall be sent to the Trustees at least thirty days before the meeting.

Last updated: October 17, 2018

Formatted: Font color: Red, Highlight

Formatted: Font color: Red

Adopted by the Salem State University Board of Trustees, 10/10/12

APPENDIX 1: LIST OF REFERENCES.

Conflict of Interest and Annual Disclosure

All members of the Board are state employees within the meaning of the state's ethics statute (chapter 268A of the General Laws). Violations of the statute may give rise to both civil and criminal penalties. Each member of the Board is therefore expected to be familiar with the requirements of the ethics statute and to comply with them.

All Trustees are advised to disclose to the Board any possible conflict of interest at the earliest practical time and to take such other action in that regard as the law may require. Further, each Trustee is advised to absent her/his self or herself from discussions of and to abstain from voting on any matters under consideration by the Board of Trustees or its committees if to do otherwise would constitute a conflict of interest. The minutes of such meeting shall, as appropriate, reflect that a disclosure was made and that the Trustee having a conflict or possible conflict abstained from voting.

Indemnification

Trustees of State Universities are indemnified under Massachusetts General Laws Ch. 15A: "The Commonwealth shall indemnify a trustee of a community college or state university against loss by reason of the liability to pay damages to a party for any claim arising out of any official judgment..."

Pertinent Legislation

1. MA General Laws, Chapter 15A
2. MA General Laws, Chapter 28 of the Acts of 2009

APPENDIX 2: DEFINITION OF NOTICE.

Notice shall be defined as being either written or electronic and shall clearly state the date, place and time of the meeting(s).

Salem State Climate Study Project Snapshot

Definition of Campus Climate

- The Climate Study measure cultural attitudes, behaviors, and standards and practices of employees and students of an institution.

Project Overview

- Phase I: Focus Groups
- Phase II: Assessment Tool Development & Implementation (*Survey Availability: Feb. 17th -March 24th*)
- Phase III: Data Analysis
- Phase IV: Final Report and Presentation
- (CURRENT) Phase V: Additional Data Analysis & Implementation of recommendations supported by data

Overall Response Rate

31% overall response

79% Staff (n=201)

77% Administrator (n=247)

45% Faculty (n=393)

28% Undergraduate Students (n=1920)

21% Graduate Student (n=325)

Additional Information

- In the spring of 2016, Salem State University partnered with Rankin & Associates Consulting to conduct its first ever comprehensive climate study survey.
- Executive Summary released on October 30, 2017, and presented by Dr. Susan Rankin via open community forums on November 2, 2017.
- **Climate Study findings**
 - Transient Student Numbers
 - Sexual Assault Prevention
 - Issues around work fatigue and sense of value
- **Overview of the 2017-2018 Implementation Team Work**
 - a. Sub-Committees were established
 - i. Deep Reads of the Report/ Additional analyses
 - ii. Review of the Action Forums
 - iii. Communication Plan: Commitment to monthly communication
- **Emerging Trends Identified from Action Forums (Spring 2018)**
 1. Defining the Inclusive Excellence Mission
 2. Transforming Campus Culture
 3. Addressing Needs of our Culturally Diverse Student body
 4. Improving and Enhancing Communications
 5. Increase Professional Development and Training Opportunities
 6. Increase Hiring and Retention of Employees from Culturally Diverse Backgrounds
 7. Increase Support for all Employees
- **2018-2019 Implementation Team Work**
 - Connecting Emerging Trends to data points
 - Individualized Reports (available Fall 2018)
 - Qualitative Data Analysis

AGB BOARD OF DIRECTORS' STATEMENT ON

Governing Board Accountability for

**CAMPUS CLIMATE,
INCLUSION,
AND CIVILITY**

g boards serve as stewards for the institution or system that they shepherd, and more broadly as stewards for higher educa

*t large across the nation. Board members have a fiduciary **duty of care**—the duty to act in good faith and with*

*e, care, and **skill in protecting** the various assets for which they are responsible. They also have a fiducia*

*of obedience—the duty to ensure that the institution acts in compliance with its **mission** and with applicable law.*

*ngly, higher education governing bodies must **ensure** institutional compliance with applicable federal, state, and lo-*

*, including those that **prohibit discrimination** based on age, race, gender, sexual orientation, re*

*sability, and other characteristics, and those that protect the freedom of speech and **academic freedom***

This statement was approved on August 19, 2016, by the Board of Directors of the Association of Governing Boards of Universities and Colleges (AGB). AGB Board Statements are formal assertions of the critical importance of a particular issue or topic to higher education governance. They are intended to guide boards in the governance of colleges, universities, and systems; inform them of their roles and responsibilities; and clarify their relationship with chief executives, administration, faculty, and others involved in the governance process.

ACKNOWLEDGMENTS

The Association of Governing Boards of Universities and Colleges and its Board of Directors are grateful to the many people who contributed to the development of this statement. We are especially grateful to Thomas K. Hyatt, AGB's general counsel, who served as principal author of the statement and who contributes regularly to knowledge development for AGB's membership; and to Artis Hampshire-Cowan, AGB Senior Fellow and former senior vice president and secretary at Howard University, for her thought leadership and facilitation of a task force that helped to identify the complexity of issues, fundamental values, and foundational principles to anchor the statement.

We also extend our gratitude to members and friends of AGB who added value to the statement through their responses to the association's invitation for public comment, which proved invaluable in strengthening the piece.

ABOUT AGB

Since 1921, the Association of Governing Boards of Universities and Colleges (AGB) has had one mission: to strengthen and protect this country's unique form of institutional governance through its research, services, and advocacy. Serving more than 1,300 member boards, 1,900 institutions, and 36,000 individuals, AGB is the only national organization providing university and college presidents, board chairs, trustees, and board professionals of both public and private institutions and institutionally related foundations with resources that enhance their effectiveness.

Copyright © 2016

Association of Governing Boards of Universities and Colleges
1133 20th St. N.W., Suite 300, Washington, D.C. 20036
www.agb.org



AGB Board of Directors' Statement on

Governing Board Accountability for Campus Climate, Inclusion, and Civility

Introduction

CONSIDER THESE ACTUAL EVENTS:

- A group of more than 1,000 demonstrators marches through a campus in support of racial equity and social justice, catalyzed by a police shooting of a young African American off campus, less than a mile away.
- Students and other stakeholders on campus urge changes in institutional policies through protests and teach-ins.
- Students request “trigger warnings” for the teaching of potentially offensive or upsetting material and “safe spaces” in which those with differing identities and viewpoints are not permitted to be present.
- A student group presents a long list of non-negotiable demands to a college president and governing board for: changes in admissions and personnel policies and academic offerings; an immediate increase in the diversity of the faculty and the administration; direct involvement in the hiring of the president; and remedies to asserted inequities both on and off campus.
- A student gains national attention while carrying a mattress with her on campus every day to protest a university’s failure to expel another student she accused of sexually assaulting her.
- A university offers gender-free housing and provides a resource center for LGBT students, while another denies housing to a transgender student on religious grounds.
- Students in some states may now carry loaded, concealed weapons in college and university buildings.

In ways large and small, students and other stakeholders on college and university campuses across the United States are making themselves heard, by speech and by action, and are challenging higher education leaders and faculty to create campus climates that are diverse and inclusive; that promote academic freedom, freedom of expression, and civility; and that enable all members of the community to feel welcome and safe from harm. At the same time, a lingering intolerance and impatience by some, both within and outside the campus community, can put at risk the ability of colleges and universities to provide an environment in which a full range of opinions and ideas are welcome and can be aired and debated in a respectful manner.

At the center of these tensions lie governing boards and institution and system chief executive officers, who bear ultimate accountability and responsibility for risk management, institutional reputation, educational quality, and the creation of an open and safe campus environment, and who are just as often taken to task for their failure to act as they are for the actions they take.

Governing boards are stewards for the institution or system that they serve, and more broadly are stewards for higher education writ large across the nation. Board members have a fiduciary duty of care—the duty to act in good faith and with diligence, care, and skill in protecting the various assets for which they are responsible. They also have a fiduciary duty of obedience—the duty to ensure that the institution acts in compliance with its mission and with applicable law.¹ Accordingly, higher education governing bodies must ensure institutional compliance with applicable federal, state, and local laws, including those that prohibit discrimination based on age, race, gender, sexual orientation, religion, disability, and other characteristics,² and those that protect freedom of speech and academic freedom.³

Students and other stakeholders on college and university campuses across the United States are making themselves heard, by speech and by action, and are

challenging higher education leaders and faculty.

¹ For a fuller discussion of board fiduciary duties, see the 2015 “AGB Board of Directors’ Statement on the Fiduciary Duties of Governing Board Members” and the 2014 final report of the National Commission on College and University Board Governance, “Consequential Boards: Adding Value Where It Matters Most.”

² See, for example, under federal law, Titles IV, VI, VII, and IX of the Civil Rights Act; the Americans with Disabilities Act of 1990, as amended in 2008; and Section 504 of the Rehabilitation Act of 1973.

³ See, for example, the free speech and press provisions in the First Amendment to the U.S. Constitution and similar provisions in state constitutions and statutes, as well as faculty contractual protections, particularly in private institutions.

A successful resolution of these complex and high-profile issues, and the building of a campus climate and culture that can generate sustained buy-in and support, mandate that institutional and system governing boards meet their fiduciary responsibilities in a manner that demonstrates leadership based on shared values and institutional mission, as well as an appropriate partnership with the institution's stakeholders.

In order to effectively undertake these duties, governing boards should ensure that they understand the history and culture of their institutions, as well as the historical context for past institutional actions, and the impact they have on current events and constituencies. Similarly, boards and chief executives should share a common understanding of the institution's mission and values (and revisit and refresh them as warranted) and integrate them into everything the institution does to address matters of diversity, inclusion, freedom of expression, academic freedom, safety, and campus climate and culture.

However, the mission, history, culture, symbols, traditions, and even the founders of an institution must also be viewed through a lens of current campus and community values and principles. We do this so as to be aware of, and address as necessary, their impact on today's students, faculty, alumni, and communities. For example, one university community has considered how to make amends for a time when the institution was sustained financially through the sale of slaves. Another institution's board of trustees has re-examined the naming of campus buildings and programs after a United States president who demonstrated racist views in his administration. Institutional history is likely to receive much closer student and faculty scrutiny now as values evolve and the effectuation of mission is re-evaluated.

Boards, by their nature, are usually steeped in their college or university's traditions and symbols and often see themselves as the protectors of those things, particularly when board members are alumni of the institution. It should come as no surprise, then, that some boards might be resistant to change when constituencies and events cry out for a different approach. A governing board should demonstrate courage in recognizing the need for change and supporting or even requiring it, for the betterment of the institution's students and the community. Institutions may need to come to terms with new realities, and while these situations are rarely easy, strong leadership is essential.

A successful resolution

of these complex and high-profile issues, and the building of a campus climate and culture that can generate sustained buy-in and support, mandate that institutional and system governing boards meet their fiduciary responsibilities in a manner that demonstrates leadership.

This AGB statement presents values, principles, recommendations, and discussion questions for governing bodies and chief executives to consider in addressing the issues of campus climate, diversity, inclusion, and civility. The purpose of this statement is not to suggest specific resolutions for these critical issues; the remedies, like the issues, are specific to each institution. Rather, the statement provides guidance to governing boards and chief executives to help ensure that a collaborative governance process and effective policies are in place that can successfully achieve those remedies.

The AGB Board of Directors, in approving this important statement, realizes that some of the recommended practices presented herein will raise concerns. Some will prompt difficult conversations and will challenge boards to address the questions that result. However, governing bodies bear ultimate responsibility to ensure that effective policies are in place and followed in order to uphold institutional mission, values, and educational quality for all who are part of their institutional community. As stated in the 2007 “AGB Board of Directors’ Statement on Board Accountability,” governing board members are accountable to institutional mission, the public interest, and the “legitimate and relevant interests of the institution’s various constituencies.” It is what fiduciary bodies are required to do and are expected to do.

This AGB statement presents

*values, principles,
recommendations, and
discussion questions*

*for governing bodies and chief
executives to consider in addressing
the issues of campus climate,
diversity, inclusion, and civility.*

Respecting the Values and Principles of Higher Education

American higher education is steeped in values that have developed over nearly four centuries. Two of the most fundamental and influential values across the sector are institutional independence and academic freedom. Institutional independence protects colleges and universities from undue external influence and enables each institution to set a mission and goals that are distinct and that achieve the institution's unique purposes. Public and private colleges and universities operate within a collaborative leadership model while assigning ultimate responsibility to a duly constituted governing board⁴ that is expected to honor and guard that independence in its decision making.

Academic freedom recognizes the right of faculty members to conduct research and publish results without interference, instruct students in subject matter according to their own professional judgment, and to express themselves freely as citizens and not as representatives of the institution.⁵ This value also urges institutions to ensure an academic environment that welcomes diverse opinions and a healthy openness to candid exchanges of ideas and perspectives among all stakeholders.

It is from these inherent higher education values that institutional policy related to campus climate, diversity, inclusion, and civility should be developed, viewed, affirmed, and welcomed. Each college and university community is unique. In the ideal, each should approach ongoing discussions of the values and principles described herein inclusively, respectfully, honestly, with open hearts and minds, and without undue concern for uncomfortable or awkward exchanges, to determine what is the right path, now and for future generations.

The principles of a vital campus climate are undergoing extensive examination across the higher education sector, although the very definition of campus climate is broad and varies among institutions. For the purposes of this statement, we rely upon the following, which is referenced often in this larger conversation: "The atmosphere or ambience of an organization as perceived by its members. An organization's climate is reflected in its structures, policies, and practices; the demographics of its membership; the attitudes and values of its members and leaders; and the quality of personal interactions."⁶

⁴ See the 2015 "AGB Board of Directors' Statement on the Fiduciary Responsibilities of Governing Board Members"; and the 2010 "AGB Statement on Board Responsibility for Institutional Governance."

⁵ This is a paraphrasing of the discussion of academic freedom offered in the American Association of University Professors (AAUP) *1940 Statement of Principles on Academic Freedom and Tenure*. Importantly, the policies of some religiously affiliated institutions delimit academic freedom in keeping with their missions. Still others define academic freedom for themselves. Despite some differences in interpretation, the value of academic freedom undergirds the governance of virtually all colleges and universities in the United States.

⁶ See, for example, the University of Wisconsin-Madison Provost's Office, *Definition of Campus Climate* (2004).

The following principles amplify higher education’s central values of independence and core freedoms and should be reflected throughout institutional and system policies:

Diversity. Diversity is a part of the value proposition for the institution and for higher education because of its demonstrated educational benefits for all students. Diversity comes in many forms, including: race, gender, gender identity and expression, ethnicity, national origin, religion, sexual orientation, age, socio-economic background, physical ability and disability, neurodiversity, and student and faculty intellectual and political beliefs. Diversity also includes beliefs and practices that are strongly held by some religiously affiliated colleges and universities but that may differ from those of other higher education institutions. Diversity is not merely about demographics but also about campus climate, culture, and norms. Institutions cannot merely claim to be diverse. Rather, diversity is a dynamic institutional choice whose scope and characteristics will vary over time and place and circumstance.

Inclusion. Diversity without inclusion is only a metric. Inclusion recognizes and embraces the need for all members of the institutional community to have a sense of ownership in the institution and a place of belonging. It requires sustained and intentional institutional commitment and action. Tolerance is passive and may be a starting point. Inclusion is active and reflects the continuing character of a campus.

An inclusive campus climate is manifested by the ideas, policies, actions, and shared culture of its governing body, chief executive, administration, faculty, students, alumni, and local community. Respect and civility, even in a clash of passionately expressed beliefs and values, are essential to the ability of a college or university to thrive and sustain over generations.

Campus safety is fundamental to protecting and implementing these ideals. In this context, being “safe” does not mean being shielded from potentially challenging ideas and beliefs, which may be uncomfortable for some. Rather, individuals should have the right to be safe from physical or emotional harm or harassment in their expression of ideas, beliefs, values, lifestyles, diversity, and personal characteristics.

Diversity

is not merely about demographics but also about campus climate, culture, and norms.

Inclusion

recognizes and embraces the need for all members of the institutional community to have a sense of ownership in the institution and a place of belonging.

Freedom of Expression. Freedom of expression is both an American constitutional right and a principle that is central to an open and engaged institution of learning. It must be established by meaningful and consistent policies and remedies for its infringement, or there is no freedom. Tolerance—the willingness to permit the free expression of ideas, beliefs, and values that may be at odds with your own, rooted in a climate of mutual respect—is an essential characteristic of a campus climate that promotes this principle. With respect to engagement, civility is an essential response, but it is also an element of campus culture. Civility is not the opposite of passion. Conversations, discussions, debates, protests, and demonstrations do not need to be passive or unduly constrained in the name of civility, although they must respect the rights and safety of those who participate and those who do not. Tolerance and civility are at the heart of true freedom of expression.

Freedom of expression

*is both an American constitutional
right and a principle that is central
to an open and engaged institution
of learning.*

Recommendations for Leadership

The following recommendations apply higher education's core values and principles and embrace the obligations of a shared educational, legal, and business imperative for effective governance on the issues of campus climate, inclusion, and civility.

Developing a campus culture that enables students, faculty, and the community to feel safe, included, and valued and that can endure challenges, missteps, and times of unrest is an ongoing process. While certain actions can make a meaningful difference in the near term, fundamental policy and operational change requires a longer time horizon and sustained attention and support. In many instances, leaders seeking to respond to a situation or crisis lack complete or perfect information. Situations often evolve over time, and thoughtful reflection and restraint may be called for by boards and chief executives alike to respond appropriately and with the needs and interests of all constituencies in mind.

The statement encourages boards and institutional leaders to consider the recommendations below in order to be confident that policies are in place to ensure a healthy, vibrant, and safe campus community.

1. *An institutional or system governing board should support the chief executive officer with trust, confidence, and the delegation of authority necessary to make critical and timely decisions consistent with institutional and system policy.*

While not delegating away their fiduciary decision-making authority, governing boards should avoid micromanaging the chief executive in responding to campus climate matters, particularly in moments of crisis. The responsibility and attention of the governing board must focus on the assurance of policy adequacy, while recognizing and supporting strong and effective administrative leadership. These are often time-sensitive matters; chief executives need to be confident in the support of their governing board.

The statement encourages boards and institutional leaders to consider these recommendations in order to be confident that policies are in place to ensure a

*healthy, vibrant,
and safe
campus community.*

Chief executives, too, can benefit from the opportunity, such as at a board retreat or dedicated committee meeting, to examine and address campus climate issues with the board.

2. *Chief executives should be fully transparent and collaborative with the governing board on campus climate issues.*

Chief executives should support the governing board's fiduciary authority to consider and establish policies related to campus climate, diversity, and inclusion issues by regularly updating the board on current challenges and instances of stakeholder protest and engagement, potential risk areas, and a periodic review of related policies. In addition, chief executives should advise the board on those instances when efforts to advance diversity, equity, inclusion, and free and open discourse have been successful and when they have been unsuccessful. Chief executives can support the board in developing meaningful metrics for assessing achievement of campus climate goals.

3. *Boards should periodically review campus climate policies and ensure that those policies are up-to-date and consistent with institutional mission and relevant laws and regulations.*

In order to be prepared for the implementation of sound and effective decisions, under sometimes intense scrutiny and duress, governing boards should be proactive to ensure that institutional or system policies that clearly articulate principles of diversity and inclusion, free and open discourse, academic freedom, and personal safety are developed, updated, and followed. The board should periodically review the timeliness of these policies and be aware of their content and scope. Chief executive officers should also include in board or board committee meetings, as needed, those institutional administrators who bear responsibility for policy implementation so as to discuss campus climate policies, related risk factors, and compliance with mission and applicable law.

Institutional policies should also protect the rights of students who are not involved in campus protests, unrest, and interventions by uniformly enforcing reasonable "time, place, and manner" guidelines for such events. This enforcement should be consistent irrespective of the point of view being expressed.

Mission and values should be the touchstone of everything a college or university board and chief executive do in developing policies to effectuate an inclusive and welcoming campus climate. In addition, governing board members, as fiduciaries, must always consider their overall responsibility to protect and promote the business operations of the institution through their practices and policies. Without a comprehensive strategy to address matters of diversity and inclusion as discussed in this statement, institutions

risk being unsuccessful in achieving their human capital goals (regarding students, faculty, staff, and administration). In addition, individuals and organizations that are key sources of institutional funding—via tuition dollars, sponsored and funded research, philanthropy, and government support—will rightly view diversity and inclusion as key drivers of quality and excellence. Institutions that commit to creating environments that foster diversity and inclusion and a welcoming campus climate are most likely to attain both the human and financial capital needed to thrive in the long term.

4. *Boards should exercise their fiduciary duty of care by ensuring that the institution has allocated appropriate resources to address campus climate needs.*

Consistent with their fiduciary duties, boards should ensure that necessary budget resources and staff assistance are available to properly address campus climate, diversity, inclusion, and safety needs. Chief executives should work with appropriate board committees to ensure that they are current on the identification and timing of these needs. The governance practice of evaluating resource deployment should not be simply reactive, but rather should be timely and proactive while considering both short-term and long-term needs.

5. *Governing boards should ensure the implementation of an effective communication plan and receive regular updates from the chief executive and other administrators who are responsible for the implementation of campus and system policies regarding campus climate.*

The governing board should approve an institution-wide communications plan that provides consistent support for the policies that are developed and for the chief executive, staff, and faculty members who carry them out. Boards and institutional leadership must be transparent, clear, and consistent in their response to campus climate matters for the institution and the community. Board decisions made only behind closed doors without appropriate input and communicated without explanation or sensitivity put the board at an immediate leadership disadvantage. Transparency and consistency, through explanation and example, breed trust.

*Transparency and consistency,
through explanation and example,
breed trust.*

Boards should receive regular reports from appropriate sources, both among institutional staff and within the campus and local communities, that provide current information and context about instances of campus and community social unrest. Boards should also receive reports on institutional efforts and metrics that can guide their responses, including campus climate surveys, student engagement surveys, academic achievement results, and retention rates of various student groups and subgroups.

The communications plan provisions on crisis response must be adequate to address a campus protest or other campus climate concern. In responding to these issues, and in demonstrating and supporting leadership, boards should speak with one voice. Most often, this will be through the chief executive and the board chair. The chair of the governing board should be prepared to publicly support institutional leadership during a campus protest or act of hate or violence that threatens the safety or personal freedoms of the college or university community.

And, while the chair is the voice of the board's actions and deliberations, all board members are fiduciaries and ambassadors for their institution and all should be prepared to communicate with a uniform message developed through board deliberation and agreement and careful consideration of impact and consequences. When urgent circumstances preclude a timely board discussion on messaging, the chief executive, board chair, and institutional communications professionals should provide support for an immediate board communication.

Boards should ensure that they are attuned to risks to reputation and culture by meeting on these matters with the chief executive and others as appropriate, including faculty leaders, the general counsel, the diversity and inclusion officer, the communications officer, student leaders, outside experts, and officers charged with ensuring institutional compliance under Title IV, Title VI, Title VII, and Title IX.

6. *Governing boards should actively lead in addressing campus climate issues through effective governance practices that are proactive, responsive, and adaptive.*

It is difficult to be credible in providing stewardship and leadership on campus climate issues of diversity and inclusion if the governing board itself is not diverse and inclusive. Governing boards of private institutions should work on diversity objectives through their governance committees, while boards of public colleges and universities should work with the authorities who hold board appointment responsibilities for

those institutions. In that effort, board selection, the choice of board officers and committee chairs, and board education must effectuate the diversity that should be present in today's higher education environment. The campus community pays close attention to the make-up and values of the governing body. If diverse pools of available trustees are limited, training and sensitization with such boards around diversity, equity, and inclusion can help to bridge the gap.

If diverse pools of available trustees are limited,

training and sensitization with such boards around diversity, equity, and inclusion can help

to bridge the gap.

The chief executive should also ensure that the appropriate balance is found between efforts to acknowledge when instruction and speech may be distressing or offensive to some and the unbridled freedom to inquire, teach, learn, experiment, and debate ideas and values.

Governing boards should work with their chief executives to ensure that the governance and administrative structure of the institution are aligned with needs in this area. Effective governance practices include these actions:

- Designate one or more board committees or task forces, as appropriate, to review campus climate issues and progress towards resolution of any problems or concerns.
- Include a review of campus climate issues in the board's enterprise risk management efforts; risks related to crisis response, reputation, and community relations are appropriate for full board review, but may also be delegated to an executive or dedicated committee.
- Define and measure attainment of campus climate goals.
- Ensure that committees and task forces report to the board regularly on their findings.
- Include feedback on progress in this area in board self-assessments.

Boards need to be able to adapt to changing circumstances, beliefs, and laws surrounding diversity, inclusion, and free speech on campus and in the community. Reliance on bylaws, charters, and policies that have not been specifically updated for this purpose may result in an inadequate response.

Education and training on campus climate, diversity, and inclusion for boards and for the chief executive and senior administrators are also essential. Seek out resources and make time for these efforts on the board and staff agendas.

7. *Governing boards, as a collective body, should seek direct engagement with students, faculty, staff, alumni, local communities, and other stakeholders to be certain that they have an understanding of their concerns and current priorities.*

Boards should seek to understand the current priorities, issues, sensitivities, and needs of the institution's students, faculty, and campus community. Forums for listening can

Governing boards should work with their chief executives

to ensure that the governance and administrative structure of the institution are aligned with needs in this area.

occur on the spur of the moment in a seemingly instantaneous student demonstration; in planned events that are designed to reach students where they live and socialize; in response to a crisis that can become a teachable moment; in conversations with alumni; in a physical environment that supports real dialogue; and with a single trustee or the whole board, as appropriate. It is important to be authentic in conversations and in actions. Boards should strive to overcome their tendency, in reality and in appearance, to be insular and detached. Boards should also look beyond the snapshot and not shy away from what may be an uncomfortable exchange. For example, one board demonstrated its commitment to listen by adjourning its meeting and joining protestors on campus.

Partnership is key. In many instances, students may be doing the heavy lifting in addressing campus climate and inclusion matters and by expressing their passion and commitment. Be partners with students in their education and in their efforts to understand and resolve these issues. Be partners with chief executives in their leadership on these matters, as well. As was said at a Lumina Foundation event on race gaps in higher education, the focus must be not only on “college-ready students,” but also on “student-ready colleges.”

Engagement with the community around the campus—serving as “stewards of place”⁷—is also essential. When the correct response is unclear, mission and values (along with legal obligation) provide the way forward.

*The focus must be not only on
“college-ready students,”
but also on
“student-ready
colleges.”*

8. *Chief executives should demonstrate compliance with governing board policy and governance expectations on diversity and inclusion and show leadership in staff development.*

In partnership with the board, chief executives should champion diversity and equal opportunity throughout the staff and faculty hiring and development process. Progress on these goals should be included in the chief executive’s annual assessment or key performance indicators. CEOs should ensure that the institution’s staff structure and assignments correlate with campus climate needs and with the board governance structure in these areas.

⁷ See, for example, the 2002 report of the American Association of State Colleges and Universities, “Stepping Forward as Stewards of Place.”

Conclusion

Effectively addressing campus climate, inclusion, and civility issues can be a daunting task for volunteer governing board members and institutional chief executives alike. Providing board and institutional leadership on these matters is not easy, and working through them can be messy. These issues are often fraught with conflict and emotionally charged. There is no one-size-fits-all answer, and campus communities may address the same issues from very different religious and socio-political perspectives.

These issues must also be viewed against the backdrop of rapid social change, substantial polarization in the political arena, political challenges to the freedoms of expression and religion, and high-profile instances of violence and terrorism.

Catalytic events—even those that take place far from a campus—unrecognized needs, and pent-up demand for social change can alter the climate and reputation of a campus in the blink of an eye.

It is here that board members' fidelity to the fiduciary duties of care, loyalty, and obedience is most critical. The core values and principles set forth in this AGB statement, along with recommendations for action, provide boards and chief executives with effective tools to carry out these duties.

The core values and principles

*set forth in this AGB statement,
along with recommendations for
action, provide boards and chief
executives with effective tools to
carry out these duties.*

Discussion Questions for Boards

- Does the board understand its fiduciary responsibilities related to campus climate, inclusion, and civility matters?
- Is the board up-to-date on federal, state, and local laws and rules in these areas?
- In a crisis, who speaks for the board? For the institution or system?
- Are the lines and methods of crisis communication between the chief executive and the board well understood and documented?
- How diverse is the board itself? Does the board (or appropriate state authorities for public institutions) have a plan for recruiting members with varied gender, racial, ethnic, and other diverse characteristics, and for identifying capable new members with diverse experiences, skills, and backgrounds?
- Does the chief executive have adequate authority, resources, and board support to champion diversity and equal opportunity throughout the staff and faculty hiring and development process?
- Does the institution support a nurturing campus environment where every member can express him or herself openly and civilly and learn from others who may have a different point of view, without fear of sanction or harm? Or, conversely, does the institution restrict expressions of free speech in the interest of maintaining order and keeping conflict at a minimum?
- Does the campus have current and educationally effective policies that protect the essential values of freedom of speech and academic freedom and that encourage civil discourse?
- Are diversity and inclusion initiatives directly tied to the mission and strategic goals of the institution?

*Are diversity and inclusion
initiatives directly tied to the
mission and
strategic goals
of the institution?*

- What process is in place for the board to respond to student petitions and demonstrations?
- How has the board impacted the culture of the institution in establishing institutional policy?
- How well does the board model civility in its discussions and decisions?
- Does the institution provide a platform for individuals to confront those who engage in intolerance, disrespect, and hostility? Should it?
- Has the institution recently reviewed and updated its practices and policies to protect students' safety? Does the board understand and support the role of the campus police in these areas?
- From a risk management perspective, what considerations should the board address to help protect institutional reputation and ensure student safety? Those considerations might include:
 - ⌘ campus climate and the environment on campus
 - ⌘ statements and affirmations of institutional mission and values
 - ⌘ the structure of the board to be responsive to these issues
 - ⌘ allocation of resources
 - ⌘ policies regarding campus protest and speech
 - ⌘ the responsibilities and jurisdiction of campus and local police
 - ⌘ crisis management planning
- How well-equipped do board members feel to navigate issues of diversity, equity, and inclusion as a board member?

*How well-equipped do board
members feel to navigate issues of
diversity, equity,
and inclusion
as a board member?*

“
*At the outset, we simply talked
and listened to one another.
We worked to find areas of
understanding and agreement—
and not dwell on our differences.
Throughout those discussions, we
in positions of leadership strove
to speak using the poetry of
compassion, respect, and dignity,
rather than the prose of fear,
power, and threats.*”

*Fred P. Pestello
President, Saint Louis University*

AGB BOARD OF DIRECTORS' STATEMENT ON

Governing Board Accountability for

CAMPUS CLIMATE,
INCLUSION,
AND **CIVILITY**



1133 20th St. N.W., Suite 300, Washington, D.C. 20036
www.agb.org

Open Meeting Law

ATTCHMT NB-2

Public Records Law

Conflict of Interest Law

Trustee Indemnification and Insurance

Prepared by: Rita P. Colucci, Esq.

General Counsel

OPEN MEETING LAW

M.G.L. c. 30A, §19(a)

What Meetings Are Covered by Open Meeting Law?

All meetings of a public body where **DELIBERATIONS** occur with respect to any matter within the body's jurisdiction

What constitutes a deliberation?

Oral or written communication through any medium, between or among a quorum of a public body, on any public business within its jurisdiction

**Includes EMAIL COMMUNICATIONS,
CONFERENCE CALLS, SUBCOMMITTEE
MEETINGS AND COMMITTEE MEETINGS**

A communication among less than a quorum is not considered a deliberation unless there are multiple communications

Does this mean you can never have a private conversation?

No.

You can converse with one or more of your board colleagues – just not with a quorum all at once.

BUT . . . expressing your opinion to a quorum of your board colleagues, even if no-one responds, is considered a deliberation

Reasons to go into executive session

Discuss character, reputation, mental or physical health

Union negotiations

Litigation

Criminal misconduct

Real property

Security personnel or devices

Grant-in-aid requirements

Review of applicants by a preliminary screening committee

Trade secrets, competitively-sensitive or other proprietary information

Is remote participation allowed?

Yes, if physical attendance would be unreasonably difficult

- Quorum and chair/substitute must be physically present
- All votes taken must be by roll call
- At start of meeting, Chair must announce who is participating remotely
- Members participating remotely in executive session must state that no other person is present or able to hear the discussion

Public Participation

- Individuals may not address the public body without permission of the chair
- Public participation is within the chair's discretion

What records must be kept from meetings?

- Minutes – including executive session, which must be made public when the “purpose for which a valid executive session was held has been served”
- Roll calls (no secret votes)
- Minutes, documents and exhibits (which are also public records)

Public Records Law

M.G.L. c. 4, § 7(26)

M.G.L. c. 66, §§10, 10A, 10B and 19

Mass public records law provides that every person has a right of access to public information

What is a public record?

- All books, papers, maps, photographs, recorded tapes, financial statements, statistical tabulations, or other documentary materials or data, regardless of physical form or characteristics, made or received by any officer or employee of any Massachusetts governmental entity
- Includes records kept electronically

Does this really happen?

ALL THE TIME

Exemptions

Every record that is made or received by a state university is presumed to be a public record unless it falls within an exemption:

- Student records
- Domestic violence reports
- Personnel and medical files
- And more . . .

Records Access Officer

- General Counsel
- Reviews and responds to most records requests
- University Police respond to their own records requests
- Per state law, all requests and their dispositions are recorded in a state-wide database

CONFLICT OF INTEREST LAW

M.G.L. c. 268A

“The conflict of interest law seeks to prevent conflicts between private interests and public duties, foster integrity in public service, and promote the public's trust and confidence in that service by placing restrictions on what state employees may do on the job, after hours, and after leaving public service”

Gifts and Gratuities

Valued at \$50 or more

- Given to influence your official actions or because of your official position

Like what?

- Meals, entertainment event tickets, golf, gift baskets, and payment of travel expenses
- A number of smaller gifts together worth \$50

Misuse of Position

- Using your official position to get something you are not entitled to, or to get someone else something they are not entitled to, is prohibited. Causing someone else to do these things is also prohibited

Disclosure Forms

- There are instances where you can do something that feels like it might be a violation so long as you disclose it

Advice on State Ethics Violations

Call attorney of the day to get advice before
a violation occurs

617.371.9500

Indemnification of Trustees

MGL c. 15A, section 22

“The Commonwealth shall indemnify a trustee of a community college or state university against loss by reason of the liability to pay damages to a party for any claim arising out of an official judgment, decision, or conduct of said trustee;

Indemnification, cont'd

provided, however that said trustee has acted in good faith and without malice;

Indemnification, cont'd

and provided further that the defense or settlement of such claim shall have been made by the attorney general or his designee.”

No limit on the amount a Trustee may be indemnified

So long as Trustee's actions were

1. Within scope of their official duties
2. Made in good faith
3. Made without malice

Includes intentional torts or civil rights violations, except those committed in a grossly negligent, willful or malicious manner

Insurance

- Salem State is self insured for \$100,000
- Salem State purchases Directors and Officers insurance
- Coverage is \$1M per occurrence and in the aggregate after a \$100K deductible
- Excess liability insurance is shared with MassArt at \$4M

D&O/ELL Covers:

- All officers, administrators, directors, chairs, all employees
- Three Salem State boards including Board of Trustees, Foundation Board and Assistance Corporation Board
- Covers a broad range of non-bodily injury/non-property damage liability claims including employment practices, failure to promote, failure to educate, class action suits, whistle blower coverage, wrongful termination, wrongful dismissal, failure to grant tenure, and negligent counseling

Questions?

Call me

- 978.542.8600 (office)
- 978.578.1702 (cell)

SUBJECT: Academic Affairs and Student Life Committee Meeting Report for September 26, 2018

The Academic Affairs and Student Life Committee of the Board of Trustees met on Wednesday, September 28, 2018, in the Paul Petrowski Conference Room of Marsh Hall on the Central Campus of Salem State University.

Present for the Committee were Trustees DeSimone (chair), Russell (vice chair), Zahlaway Belsito, Contreras, Murphy, and Wilkens; Chair Mattera (ex-officio); President Keenan (ex-officio); Provost Silva (committee liaison), Executive Vice President James (committee liaison), and staff associate Longo, academic affairs.

Trustee DeSimone called the meeting to order at 3:10 pm. The following items were discussed:

MSCA Personnel Action

Provost Silva presented the candidate recommended for promotion. An overview of the promotion process was provided (Attachment A). After careful consideration, the committee took the following action:

Upon a motion made duly by Trustee Murphy and seconded by Trustee Russell, it was unanimously:

VOTED: to recommend to the full board the personnel actions for Associate Professor Tiffany Chenault for Faculty Promotion to the rank of Full Professor as presented.

Enrollment Update

Executive Vice President James provided the Committee with an enrollment update (Attachment B). A brief discussion ensued. Due to demographic changes, fewer than 40% of public institutions nationwide have met their enrollment goals for incoming freshmen. In response we are shifting our admission strategy from a funnel to a pipeline model. It was noted that overall enrollment is down, primarily due to declines in retention, which has steadily declined since 2013. However, graduation rates continue to improve. Specifically, 6 year graduate rates are at 58%, a 6 point increase from the prior year. 11 years ago the six year graduation rate was only 37%. Four year graduation is improving at the same rate. Going forward, we have contracted with the Education Advisory Board (EAB) to assist with undergraduate recruitment, financial aid leveraging, and

graduate/adult recruitment. New programs such as healthcare studies and information technology, as well as the Commonwealth Honors Program were identified as areas for potential growth.

Accreditation Update

Provost Silva provided the Committee with an overview of accreditation and regulatory approvals (Attachment C). It was noted that the university's response to concerns raised by the BORN is proceeding successfully and that initial application seeking AACSB accreditation has been accepted and a mentor assigned. It was further noted that ACOTE accredited our Occupational Therapy program for 10 years (instead of 7) which optimally positions the university to prepare for offering a doctorate.

There being no further business to come before the Committee and on a motion made duly by Trustee Contreras and seconded by Trustee Russell, it was unanimously:

VOTED: To adjourn the meeting at 4:15 pm.

Prepared by: D. Longo, staff associate, academic affairs



To be read from bottom to top

Action		Tenure Only	Tenure with Promotion	Promotion	Post-Tenure Review
Type of action		Required	Required	Elective	Elective
Who is eligible for the action?		Associate or full professors without tenure	Assistant professors without tenure	Associate professors (or assistant professors who elect to be considered early)	Tenured faculty (any rank)
When must / can the action occur?		No later than year 3 of employment	No later than year 6 of employment	At least 3 years in rank as assistant professor or at least 4 years in rank as associate professor	At least 6 years after tenure or prior PTR
Board of Trustees Review; Vote	May	X	X	X	
President Recommends to Trustees	Late April	X	X	X	
Academic Vice President Transmits to President	Early April	X	X	X	
Academic Vice President either concurs with Deans Evaluation & Recommendation or conducts his/her own evaluation	March	X	X	X	
Dean Transmits Dossier to Academic Vice President	late	X	X	X	
Evaluation & Recommendation of Dean	February	X	X	X	X
University Committee on Tenure transmits to Academic Vice President	early	X	X		
Evaluation & Recommendation by University Committee on Tenure	February	X	X		
University Committee on Promotions Transmits Dossier to AVP				X	
University Committee on Tenure meets with Candidate	mid January	X	X		
Evaluation & Recommendation by University Committee on Promotions				X	
Peer Evaluation Committee Transmits to Committee on Tenure (via AVP)	early		X		
Chair Transmits to University Committee on Promotions (via AVP)	December			X	
Chairperson Transmits Dossier to Departmental Peer Evaluation Committee		X	X		
Evaluation & Recommendation by Chairperson		X	X	X	
Classroom Observations by Chairperson	mid fall	X	X	X	
Departmental Peer Evaluation Committee Transmits to Chairperson	semester	Optional*	X	X	
Evaluation & Recommendation by Departmental Peer Evaluation Committee		Optional*	X	X	
Classroom observations by Departmental Peer Evaluation Committee		Optional*	X	X	
Candidate Selects third member of Departmental Peer Evaluation Committee		Optional*	X	X	
Candidate Submits Materials to Academic Vice President (AVP = Provost)	end of September				X
Candidate Submits Materials to Department Chairperson		X	X	X	

*Optional for candidates with the exception of School of Social Work, in which it is required

Enrollment Update

Incoming Freshman

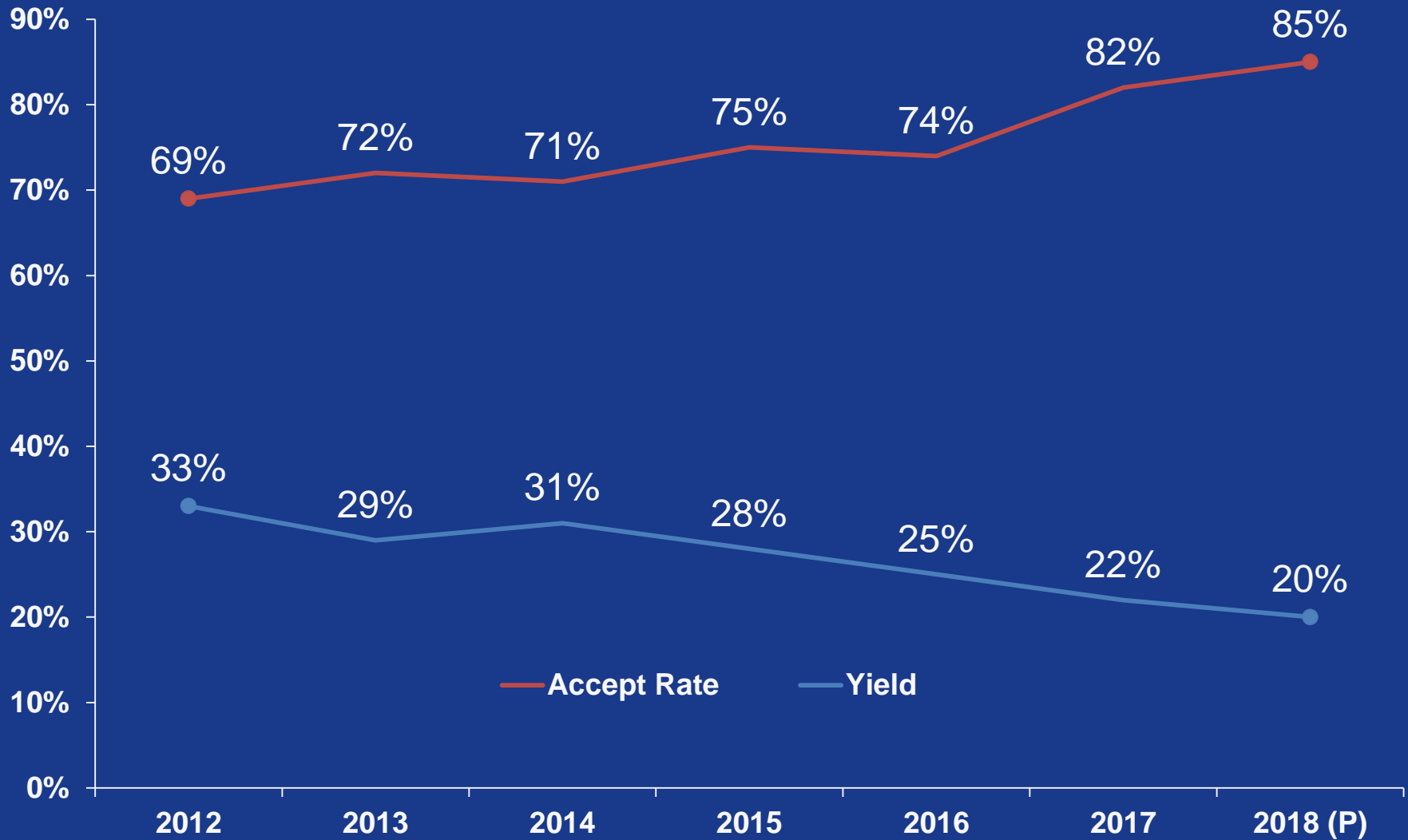
	Fall 2017	Fall 2018
Applications	8600	8148
Admits	4929	5446
Enrolled	1166	1133

Incoming Transfers

	Fall 2017	Fall 2018
Applications	2087	1760
Admits	1156	1059
Enrolled	727	682

Freshman – Accept Rate and Yield

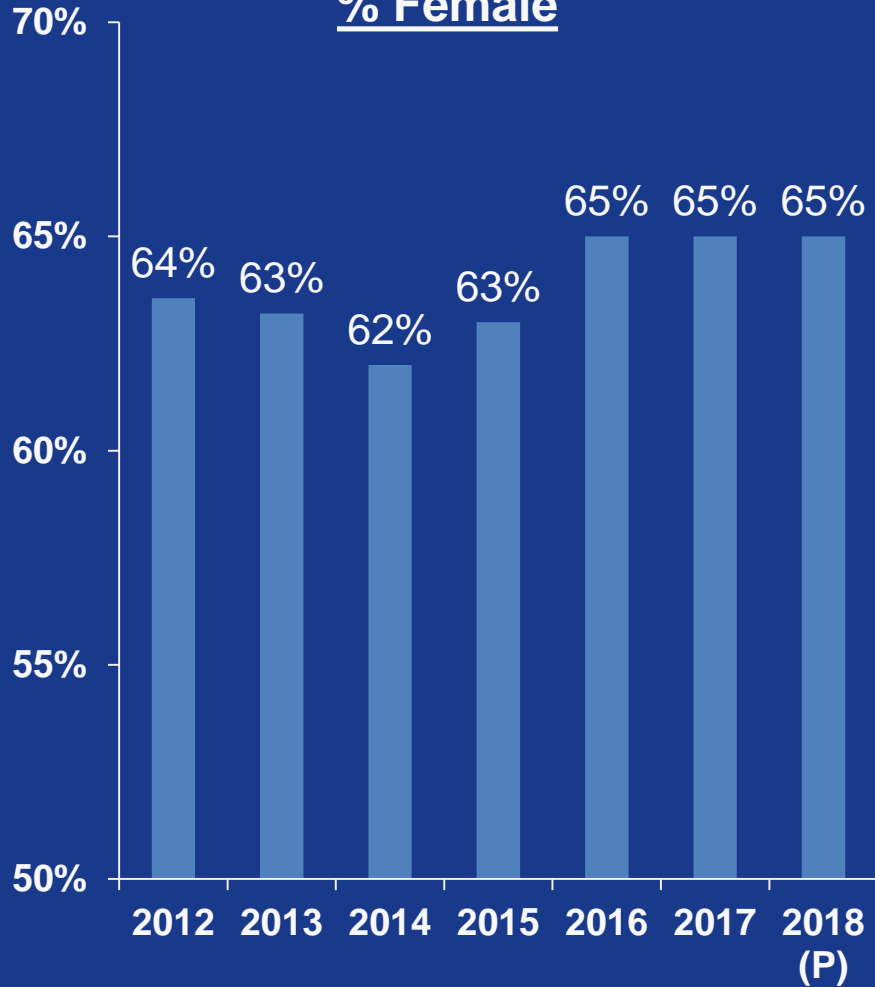
(2018 data as of Sept 18, 2018)



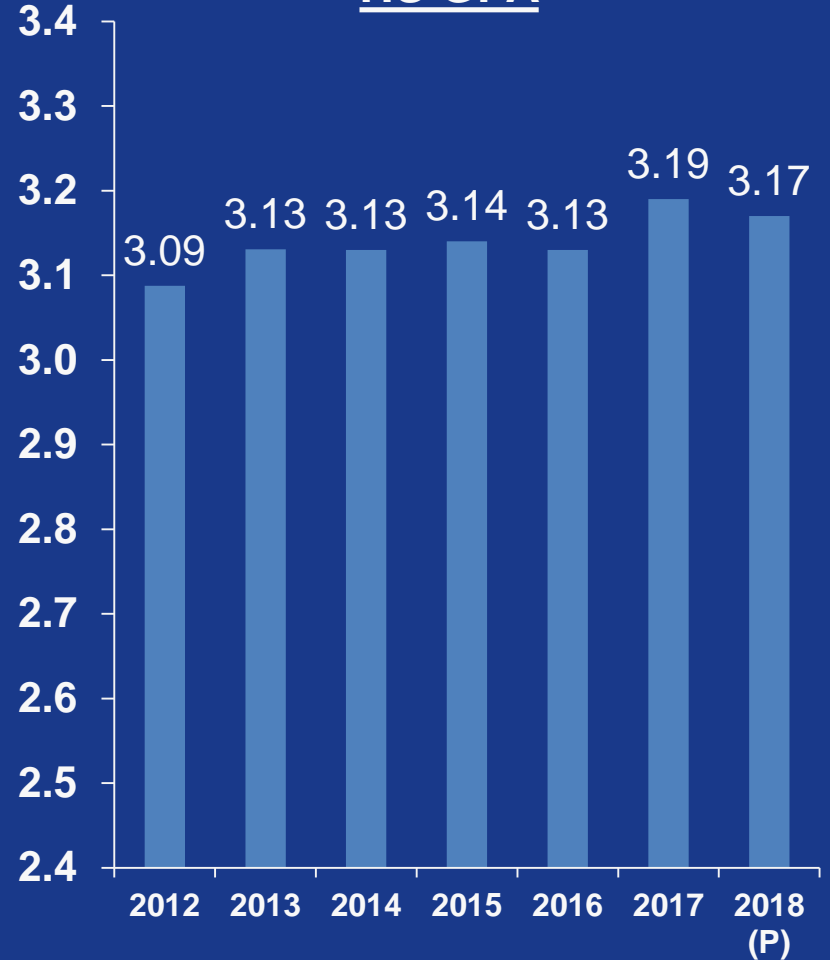
Freshman

(2018 data as of Sept 18, 2018)

% Female



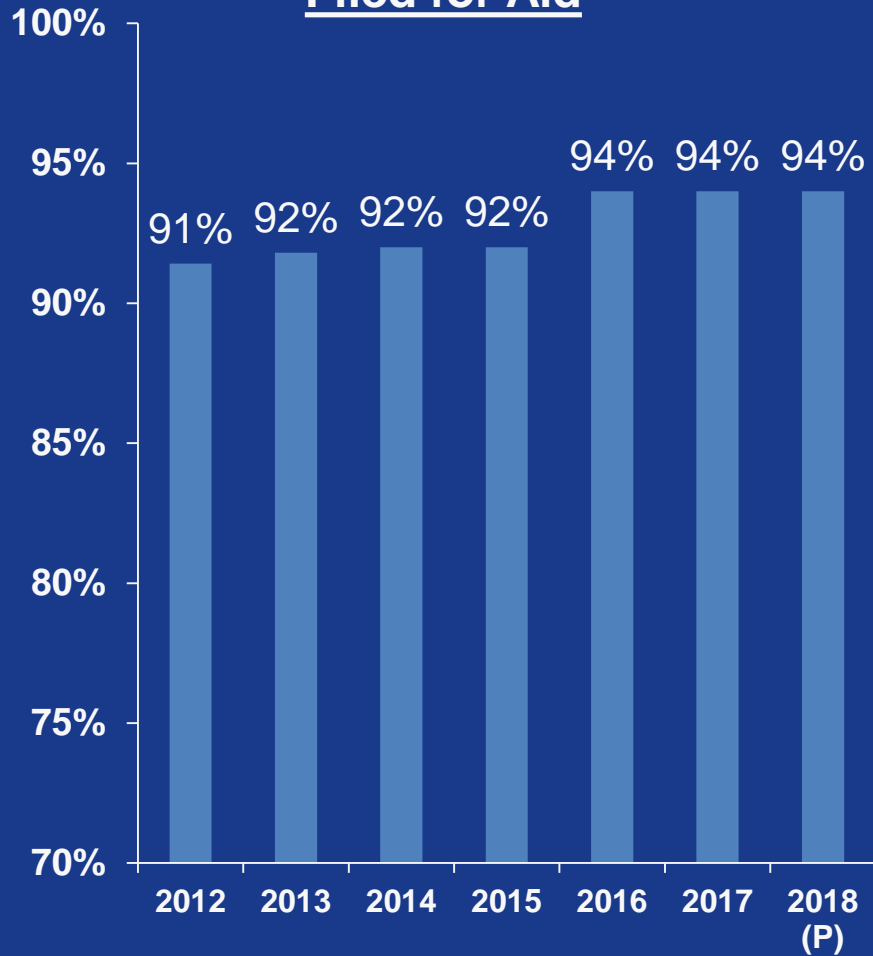
HS GPA



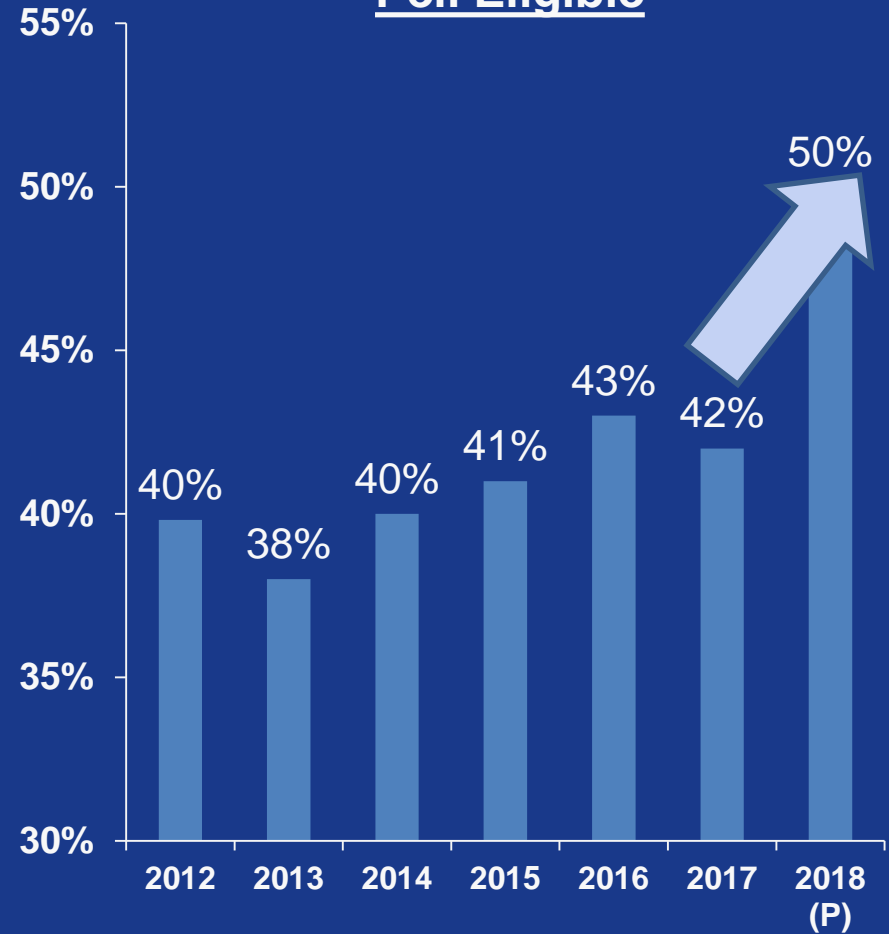
Freshman

(2018 data as of Sept 18, 2018)

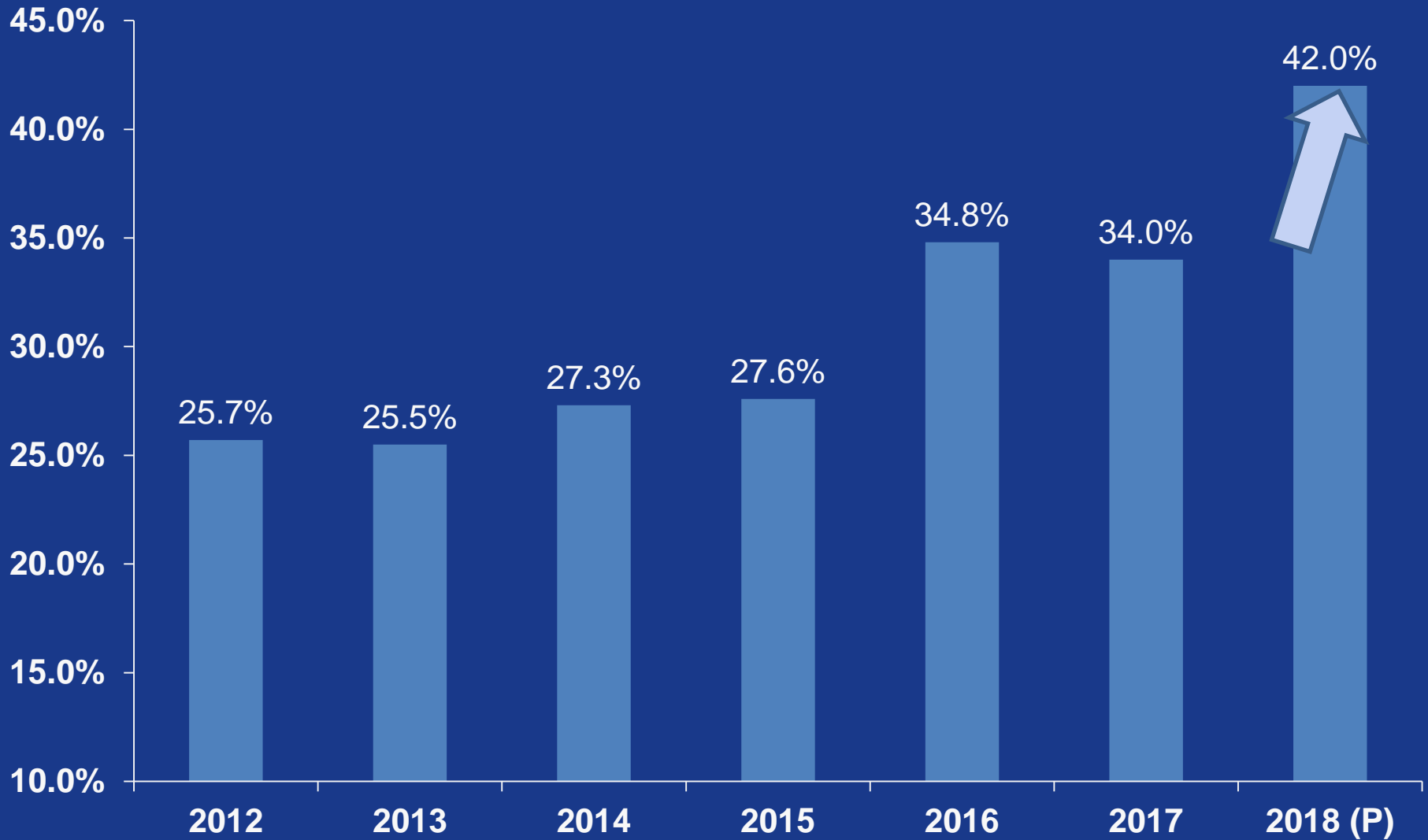
Filed for Aid



Pell Eligible



Freshman – Students of Color (2018 data as of Sept 18, 2018)



Retention, Graduation, and Overall Enrollment

Retention Rate and Graduation Rate – FT Freshman

Fall Term	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Cohort	1,064	1,133	974	986	989	1,086	1,073	1,127	1,082	1,130	1,082
<u>Retention Rate</u>											
1 Year Retention Rate	71.15%	74.85%	81.21%	73.33%	73.81%	78.08%	81.17%	79.86%	79.11%	77.17%	74.77%
2 Years Retention Rate	62.50%	63.46%	65.81%	59.63%	63.60%	67.22%	69.62%	68.59%	67.56%	64.96%	
3 Years Retention Rate	57.52%	55.52%	59.55%	57.30%	58.85%	63.08%	64.59%	64.95%	63.22%		
<u>Graduation Rate</u>											
4 Years Graduation Rate	21.99%	22.51%	27.21%	27.59%	28.72%	37.02%	39.61%	42.86%			
5 Years Graduation Rate	39.00%	40.34%	46.10%	44.83%	48.03%	54.14%	54.24%				
6 Years Graduation Rate	45.58%	45.90%	49.90%	51.52%	52.07%	57.83%					



Highlighted data is as of 9/18/2018

Overall Fall 2018 Enrollment

	Fall 2017	Fall 2018
UG headcount	6263	5971
CE credits	5304	5167
GR credits	11,289	11,207

Education Advisory Board

- Best practice research (40 years)
- Acquired Royall and Company
- Acquired Hardwick-Day
- Selected through competitive RFP process

EAB Undergraduate Recruitment

- Identifying potential students among HS sophomores, juniors, and seniors (prospects)
- Prospect > Inquiry > Application > Admit > Deposit > Enroll
- Predictive modeling at each stage of the funnel
- Direct marketing (mail, email, digital ads)

EAB Financial Aid Leveraging

- Analyze three years worth of admitted student admissions and financial aid data
- Build an econometric model that determines the impact of \$1000 of grant aid on a student's enrollment decision
- Recommend financial aid strategies that achieve goal of growing enrollment without eroding other student characteristics that we value

EAB Grad/Adult Recruitment

- Very difficult to identify
- Analyze our current enrolled students
- Match them to other consumers
- Direct market to them (mail, email, and social media)

Salem State University Academic Accreditations and Regulatory Approvals

	A	B	C	D	E	F	G	H	I	J	K
1	College	Department(S)	Program Areas	Degree(s)	Type A=Accreditation R=Regulation	Accrediting Agency	Status as of 9/1/18	Annual Fees	Last Visit	Next Visit	Notes
2	Salem State University	All	All	All	A	NECHE-New England Commission of Higher Education	Accredited	\$ 20,749.00	2011	Spring 2021	
3	College of Arts and Sciences	Art + Design	Art	BA, MAT	A	NASAD-National Association of Schools of Art & Design	Deferral of Action	\$ 1,653.00	2017	TBD	Waiting for comments; facilities concerns
4	College of Arts and Sciences	Biology	Biology, Nuclear Medicine Technology	BS	A	JRCNMT-Joint Review Committee on Educational Programs in NMT	Accredited	\$ 1,300.00	2011	Sum 2018	
5	College of Arts and Sciences	Chemistry & Physics	Chemistry	BS	A	ACS-American Chemical Society	Accredited		2015	2020	Annual reports every 5 years
6	College of Arts and Sciences	Computer Science	Computer and Information Studies	BS	A	CAC-ABET-Computing Accreditation Commission-Accreditation Board of Engineering and Technology, Inc.	Accredited	\$ 1,370.00	2015	2021-2022	Supplemental report due Jan 2019
7	College of Arts and Sciences	Music	Music	BA	A	NASM-National Association of Schools of Music	Accredited-Associate Member	\$ 1,482.00	Spring 2016	2020-2021	Facility concerns
8	College of Arts and Sciences	Sport and Movement Science	Physical Education Concentration	BS	A	CAEP/NASPE- Council for the Accreditation of Educator Preparation/National Association for Sport & Physical Education	We have opted not to renew		2013	N/A	DESE approval in future
9	College of Arts and Sciences	Sport and Movement Science	Athletic Training	BS	A	CAATE-Commission on Accreditation of Athletic Training Education	Accredited for BS	\$ 4,500.00	2009-2010	2020-2021	teaching out BS, application for MEd in preparation. New students Fall 2021
10	College of Arts and Sciences	Theatre & Speech	Theatre Arts	BFA, BA	A	NAST-National Association of Schools of Theatre	Accredited	\$ 1,398.00	Fall 2010	2020-2021	
11	School of Education	Childhood Education and Care/Secondary and Higher Education	Early Childhood Education, Elementary Education, Middle School Education, Teacher of Students with Moderate Disabilities, Specialist Teacher of Reading, Supervisor/Director, Principal	BS, M.Ed.	A	CAEP-Council for the Accreditation of Educator Preparation	Accredited for Initial and Advanced Teacher Preparation	\$3,350/avg 200 program completers	2013	Fall 2020	We will not apply for re-accreditation in 2020
12	School of Education/College of Arts and Sciences	Program Area for Content Educators (PACE) includes members from Mathematics, English, History, Biology, World Languages, Sports and Movement Science, Theatre Arts, Visual Arts and Secondary and Higher Education	Spanish, Physical Education, Biology, Chemistry, English, History, Mathematics, English as a Second Language	BS, BA, MAT	A						
13	Maguire Meservey College of Health and Human Services	Nursing	Nursing	BSN, MSN	A	CCNE - Commission on Collegiate Nursing Education (AACN Accrediting Body)		\$8668 (\$5,383-AACN \$3,285-CCNE)	Fall 2012	Fall 2022	Nursing submitted the Interim Report to CCNE on June 1, 2018. Reviews are behind schedule and we have not received a date as to when Interim Report review will be completed
14	Maguire Meservey College of Health and Human Services	Occupational Therapy	Occupational Therapy	MS	A	ACOTE-Accreditation Council for Occupational Therapy Education	Accredited	\$ 4,065.00	Spring 2018	2027	Only entry-level doctoral occupational therapy degree programs will be eligible to receive or maintain ACOTE accreditation status as of July 1, 2027.
15	Maguire Meservey College of Health and Human Services	Social Work	Social Work	BS, MSW	A	CSWE-Council on Social Work Education	Accredited	\$ 8,000.00	Spring 2010	2018-2019	The School of Social Work submitted their MSW and BSW self-study report on August 1, 2018. An on-site visit will be scheduled this fall at any time from December 2018 to February 2019.
16	Bertolon School of Business	Accounting & Finance, Management, Marketing & Decision Sciences	Business Administration (all)	BS, MBA, MSA	A	AACSB International-The Association to Advance Collegiate Schools of Business	Seeking Accreditation	\$ 9,250.00	Fall 2013	TBD	Initial Eligibility Application Accepted - 8/16; Initial Self-Evaluation Report Due - 2/19

Salem State University Academic Accreditations and Regulatory Approvals

	A	B	C	D	E	F	G	H	I	J	K	
	College	Department(S)	Program Areas	Degree(s)	Type A=Accreditation R=Regulation	Accrediting Agency	Status as of 9/1/18	Annual Fees	Last Visit	Next Visit	Notes	
17	Maguire Meservey College of Health and Human Services	Nursing	Nursing	BSN	R	BORN-Massachusetts Board of Registration in Nursing	Approval with Warning	N/A	Mar-18	Jan/Feb 2019	On 5/9/18 the Board of Registry in Nursing (BORN) conducted a review of the Baccalaureate Degree RN (Program), including the Program's 2017 NCLEX-RN evaluation reports and the findings of the Board's March 2018 site survey. The program was judged to be in noncompliance and placed on "approval with warning". Next report due to BORN 12/31/18, site visit Jan/Feb 2019, possibly on BORN agenda for March 2019.	
18	Maguire Meservey College of Health and Human Services	Criminal Justice	Criminal Justice	BS, MS	R	Quinn Bill-Massachusetts Board of Higher Education	Approved		Fall 2017	Fall 2018	The last Quinn Bill submission was in August 2016. The state is in transition with this program and we are researching how any changes might affect us.	
19	School of Education	Childhood Education and Care/Secondary and Higher Education & PACE	Early Childhood Education, Elementary Education, Middle School Education, Teacher of Students with Moderate Disabilities, Specialist Teacher of Reading, Supervisor/Director, Principal, Spanish, Physical Education, Biology, Chemistry, English, History, Mathematics, English as a Second Language, School Counseling, Visual Art, Theatre	BS, BA, MAT, M.Ed.	R	DESE-Massachusetts Department of Elementary and Secondary Education	Approved	N/A	Fall 2013	Fall 2020	Will reduce to only post-baccalaureate approval in Fall 2020 Application	
20								annual spend (approximate) =	\$65,785			
21	* cost of Accreditation and periodic reaccreditation includes preparation, self-study, consultants, and site visit \$20,000-\$60,000											

SUBJECT: Institutional Advancement/Marketing & Communication Committee Meeting Report for September 26, 2018

The Institutional Advancement/Marketing & Communications Committee of the Board of Trustees met on Wednesday, September 26, in the Petrowski Conference Room located in Marsh Hall on the Central Campus of Salem State University.

Present for the committee were Jamie Zahlaway Belsito, Cherie Butts, Teresa Chisholm (chair), Magnolia Contreras (vice chair) and Ruthanne Russell; President Keenan (ex-officio), Vice President McGurren (committee liaison), Associate Vice President Crouse, and Staff Associate Shahin.

Trustee Chisholm called the meeting to order at 4:10 pm.

Trustee Chisholm then acknowledged McGurren's retirement in the spring of 2019 and thanked her for her many years of service to the university.

Vice President McGurren offered background on the Salem State Foundation's contractual agreement with Ian Wells that originated in April 2018.

Trustee Chisholm introduced Ian Wells, President of Ian T. Wells & Associates and briefly discussed his background and credentials.

Campaign Plan II (Attachment A)

Wells presented *"The Road Ahead, Prospect Development Strategies for a Successful SSU Campaign"*.

Wells said our success will ultimately depend upon the quantity, the capacity and the generosity of our prospects. We need to: (1) evaluate as many constituents as possible for major gift capacity; (2) research the best prospective donors to correctly prioritize and assign them for engagement; and (3) efficiently and effectively cultivate them to make major gifts to Salem State. Wells discussed the prospect development and the major gift cycle. He discussed SSU Prospect SWOT Analysis (Strengths, Weakness, Opportunities and Threats). He also reviewed sample gift tables with goals of \$50MM, \$75MM and \$100MM, along with recommendations for staffing needs for each of the three goals. He emphasized the importance of starting the vetting and planning process as soon as possible, fundraisers should have portfolios allowing them to devote time to soliciting gifts worth at least \$25,000 and the need for continuous prospecting.

We were asked if this type of quality work of finding prospects would continue, and the answer is very uncertain. Ian Well's early prospecting work has resulted in finding us \$13.1 million in potential prospects for the next campaign, with a modest investment, commented Associate Vice President, Cheryl Crouse.

It was asked what will the campaign focus on. Options such as financial aid, and the science labs were part of the discussion, but a full needs assessment would need to be done to tackle what we were raising funds for. Chair Mattera asked if we could explain (not at this meeting but at a future meeting) what the relationship and responsibilities are for each of the boards since we've had board turnover: the foundation board of directors and the board of trustees to have a clear understanding of their roles and responsibilities going into a campaign. McGurren reported prior to the start of the 2010 Comprehensive Campaign, there were joint meetings of the foundation board and the board of trustees to discuss their roles and responsibilities and we will do the same before the start of this campaign. These meetings will be part of calendar year 2019 pre-planning phase.

A Motion was made by Russell, seconded by Butts and unanimously voted to adjourn the meeting at 5:05 pm.

IA\MC Trustee Committee Meeting

Wednesday, September 26th, 2018

The Road Ahead

Prospect Development Strategies for a
Successful SSU Campaign

Ian T. Wells

President, Ian T. Wells & Associates

I-70 (Green River to Salina, UT Portion)



A Tale of Two Cars

Honda Civic EX



- 158 to 306 horsepower
- Top Speed: 131 mph
- 0 – 60 mph: 8.3 seconds
- Amount of fuel in the tank: 12 gallons

Lamborghini Aventador

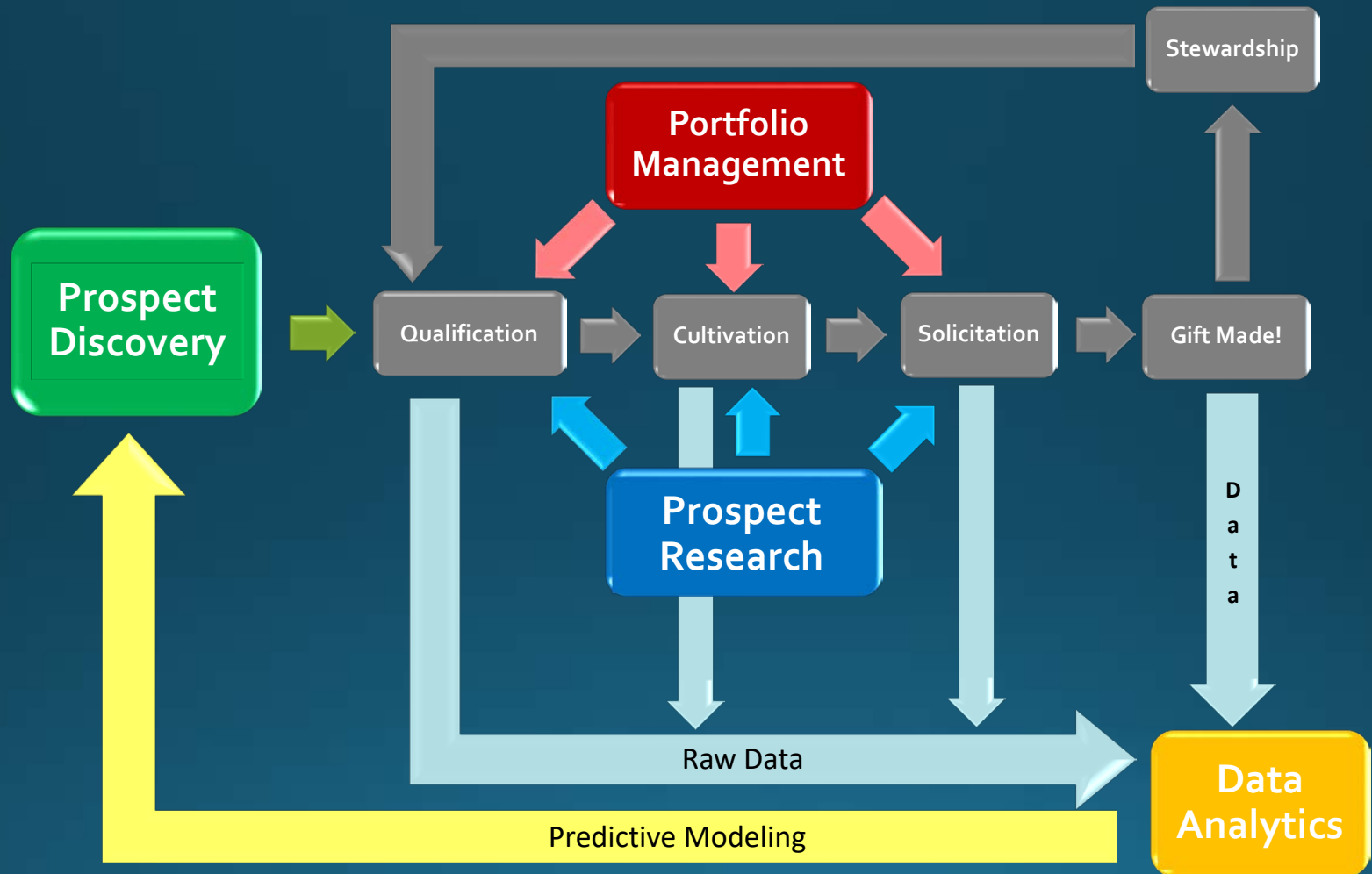


- 691 to 740 horsepower
- Top Speed: 217 mph
- 0 – 60 mph: 2.8 seconds
- Amount of fuel in the tank: 3 gallons

Prospects as Resources

- Our success will ultimately depend upon the quantity, the capacity, and the generosity of our prospects
- Major Gift Prospects: “The Pareto Principle on Steroids”
 - Historically, many nonprofit organizations have seen giving trends in which 80% of charitable funds came from the top 20% of philanthropic donors
 - More recent giving trends often feature 90% of revenue coming from the top 10%
- We need to: (1) evaluate as many constituents as possible for major gift capacity; (2) research the best prospective donors to correctly prioritize and assign them for engagement; and (3) efficiently and effectively cultivate them to make major gifts to Salem State

Prospect Development and the Major Gift Cycle



Avoiding Calamity

- 40% of capital campaigns fail to reach their financial objectives on schedule*
- The average nonprofit organization has a donor retention rate of 46%†
- Squandering good prospects and failing to build a devoted donor base comes at a genuine cost



**The Seven Deadly Sins of Capital Campaigns* (Distributed by the Fundraising Resource Group)

† The 2016 Fundraising Effectiveness Donor Retention Report (Distributed by the Fundraising Effectiveness Project)

The Best Route to Success



- We can project our ability to develop and leverage our prospects by reviewing constituent data
- Performing a gap analysis between our current prospect base and our campaign goals may identify strengths we should cultivate as well as weaknesses that we should mitigate

SSU Prospect SWOT Analysis: Strengths

- **Engaged MG Prospects:** Out of 367 major gift (\$25,000+) prospects that have made a gift since 2011 (the start of the prior campaign), 186 made a gift within the past year (50.6%)
- **Low MG Attrition Rate:** Among 261 major gift prospects newly identified by research over the past three years, only eleven such prospects (4.21%) have been either disqualified or removed from assignment
- **Robust Ask:Gift Ratio:** A review of 221 proposals that had been recorded over the past three years found 90 gifts (40.7%) that met or exceeded the recorded ask amounts.

SSU Prospect SWOT Analysis: Weaknesses

- **Unresearched Constituents:** There are 89,805 constituents with at least a preliminary rating code...but only 1,154 with a recent SSU research rating (1.2%)
 - This is actually an impressive number of ratings, given that the department's researcher only joined SSU two years ago, but it underscores the need for greater support in prospect research
- **Staff Levels:** SSU has a very productive advancement office for its size, but given the considerable number of constituents that must be identified, prioritized, and cultivated for a new campaign, more support will be needed
- **Modest Solicitations:** Of the 221 reviewed proposals previously mentioned, only 71 (32.1%) featured solicitations that asked for \$25,000 or more
 - It should be noted, however, that those 71 MG solicitations had a respectable 23 gifts that met or exceeded the ask amounts (32.3%)

SSU Prospect SWOT Analysis: Opportunities

- **Campaign Prominence:** Campaigns can serve as “change agents” for many nonprofits, as the added exposure from campaigns can attract and/or justify funding from new areas
 - Corporations and foundations may take a greater interest in SSU, particularly if prominent campaign goals align with the philanthropic interests of these organizations
- **Intergenerational Transfer of Wealth:** As baby boomers enter their retirement years, unprecedented numbers of individuals are poised to make the greatest charitable gifts of their lives...possibly even beyond their lifetimes
 - Personalized planned giving options may help loyal alumni to make greater gifts than they ever thought possible

SSU Prospect SWOT Analysis: Threats

- **Competitive Market:** The Greater Boston Area is an extremely dynamic region for philanthropic organizations but with a limited pool of high-net-worth individuals
 - Anyone we're interested in has likely attracted the attention of other nonprofits as well
 - It will be crucial for SSU to position itself not merely as one of many charitable causes in the eyes of our prospects, but to be *the* charity of choice
- **Public Perception:** Some individuals may believe a state school should not rely heavily upon philanthropy
 - It may be important to communicate the need for charitable investments to help SSU realize its full potential
- **Prioritizing Needs:** There are many components of the strategic plan in need of funding. How will SSU identify which campaign priorities are the most urgent or compelling?

A Sample Gift Table (\$50,000,000 goal)

Capacity Range	Major Gifts Required	Funding
\$25,000,000+	0	\$0
\$10,000,000 - \$24,999,999	1	\$10,000,000
\$5,000,000 - \$9,999,999	2	\$10,000,000
\$1,000,000 - \$4,999,999	4	\$4,000,000
\$500,000 - \$999,999	16	\$8,000,000
\$250,000 - \$499,999	24	\$6,000,000
\$100,000 - \$249,999	36	\$3,600,000
\$50,000 - \$99,999	52	\$2,600,000
\$25,000 - \$49,999	92	\$2,300,000
Annual Fund	[N/A]	\$3,500,000
<i>Subtotals:</i>	227	\$50,000,000

A Gift Table with Requisite Prospects (\$50,000,000 goal)

Capacity Range	Major Gifts Required	Funding	Solicitations Required (3:1 Ratio)	MG Prospects Required (25% Attrition Rate)	SSU Research Rated	Additional Prospects Needed
\$25,000,000+	0	\$0	0	0	3	0
\$10,000,000 - \$24,999,999	1	\$10,000,000	3	4	1	3
\$5,000,000 - \$9,999,999	2	\$10,000,000	6	8	1	7
\$1,000,000 - \$4,999,999	4	\$4,000,000	12	16	28	0
\$500,000 - \$999,999	16	\$8,000,000	48	64	9	55
\$250,000 - \$499,999	24	\$6,000,000	72	96	62	34
\$100,000 - \$249,999	36	\$3,600,000	108	144	177	0
\$50,000 - \$99,999	52	\$2,600,000	156	208	27	181
\$25,000 - \$49,999	92	\$2,300,000	276	368	386	0
Annual Fund	[N/A]	\$3,500,000	[N/A]	[N/A]	[N/A]	[N/A]
<i>Subtotals:</i>	227	\$50,000,000	681	908	694	280

A Gift Table with Requisite Prospects (\$75,000,000 goal)

Capacity Range	Major Gifts Required	Funding	Solicitations Required (3:1 Ratio)	MG Prospects Required (25% Attrition Rate)	SSU Research Rated	Additional Prospects Needed
\$25,000,000+	0	\$0	0	0	3	0
\$10,000,000 - \$24,999,999	1	\$10,000,000	3	4	1	3
\$5,000,000 - \$9,999,999	4	\$20,000,000	12	16	1	15
\$1,000,000 - \$4,999,999	8	\$8,000,000	24	32	28	4
\$500,000 - \$999,999	16	\$8,000,000	48	64	9	55
\$250,000 - \$499,999	32	\$8,000,000	96	128	62	66
\$100,000 - \$249,999	64	\$6,400,000	192	256	177	79
\$50,000 - \$99,999	128	\$6,400,000	384	512	27	485
\$25,000 - \$49,999	188	\$4,700,000	564	752	386	366
Annual Fund	[N/A]	\$3,500,000	[N/A]	[N/A]	[N/A]	[N/A]
<i>Subtotals:</i>	441	\$75,000,000	1323	1764	694	1073

A Gift Table with Requisite Prospects (\$100,000,000 goal)

Capacity Range	Major Gifts Required	Funding	Solicitations Required (3:1 Ratio)	MG Prospects Required (25% Attrition Rate)	SSU Research Rated	Additional Prospects Needed
\$25,000,000+	1	\$25,000,000	3	4	3	1
\$10,000,000 - \$24,999,999	2	\$20,000,000	6	8	1	7
\$5,000,000 - \$9,999,999	4	\$20,000,000	12	16	1	15
\$1,000,000 - \$4,999,999	8	\$8,000,000	24	32	28	4
\$500,000 - \$999,999	16	\$8,000,000	48	64	9	55
\$250,000 - \$499,999	24	\$6,000,000	72	96	62	34
\$100,000 - \$249,999	36	\$3,600,000	108	144	177	0
\$50,000 - \$99,999	64	\$3,200,000	192	256	27	229
\$25,000 - \$49,999	108	\$2,700,000	324	432	386	46
Annual Fund	[N/A]	\$3,500,000	[N/A]	[N/A]	[N/A]	[N/A]
<i>Subtotals:</i>	263	\$100,000,000	789	1052	694	391

Staffing Needs for Campaign Success*

- Goal: \$50 Million
 - 1 additional major gift officer
- Goal: \$75 Million
 - 2 additional major gift officers
 - 1 additional researcher
- Goal: \$100 Million
 - 3 additional major gift officers
 - 1 additional researcher

Prospect Development to Ensure We Arrive at Our Destination

- Urgent Vetting & Planning
 - Research and evaluate the top candidates among constituents with no SSU research rating ASAP
 - Base the campaign gift table on *prospects that have been actually researched*, not a theoretical projection of what would be ideal
- Major Gift Focus
 - Frontline fundraisers should have portfolios allowing them to devote more of their limited time to soliciting gifts worth at least \$25,000
- Continuous Prospecting
 - Prospecting efforts should continue even after the prospects for the gift table have been identified
 - It takes just as much time to solicit a \$25,000 prospect as a \$250,000 prospect, so if more research time is devoted to finding more high-quality prospects, we'll be better positioned to succeed



SUBJECT: Finance & Facilities Committee Meeting Report for September 26, 2018

The Finance & Facilities Committee of the Board of Trustees met on Wednesday, September 26, 2018, in the Petrowski Room, Marsh Hall on the Central Campus of Salem State University.

Present for the Committee: Trustees Katzman (chair), Murphy (vice chair), Butts, Lutts, Russell, Wilkens, Chair Mattera (ex-officio), President Keenan (ex-officio). Also present and participating: Vice President House (committee liaison) and staff assistant Beaulieu.

Absent for the Committee: Francois Gadenne, advisory member

Trustee Katzman, committee chair, called the meeting to order at 5:11 pm.

The following topics, all of which had information included in materials provided to the committee in advance of the meeting and were summarized in the memo to the committee circulated with the agenda, were discussed in summary manner, with the opportunity for committee members to ask questions if any. This was done in order to gain time for the bank account approval and a deeper discussion of the residence hall repair project/bond.

- Committee work plan for the year (Attachment A)
- FY18 preliminary results (Attachment B)
- Investment performance for period ending June 30, 2018 (Attachment C)
- Summer conference and hospitality initiative (Attachment D)
- FY18 consulting expenses (Attachment E)
- FY19 budget status (Attachment F)
- Salem Diner lease (Attachment G)
- Sustainability update (Attachment G)
- Capital projects status update (Attachment G)

The committee addressed the following action items.

Committee charter (Attachment H)

A motion made by Trustee Murphy and seconded by Trustee Lutts:

MOTION

The Finance and Facilities Committee recommends that the Board of Trustees approve the following motion regarding the Finance and Facilities Committee Charter.

Recommended motion

The Board of Trustees of Salem State University hereby amends the Finance and Facilities Committee charter as presented.

The motion passed.

St. Jean's Credit Union – bank account (Attachment I)

Request for opening a bank at St. Jean's Credit Union discussed.

A motion was made by Trustee Lutts and seconded by Trustee Butts.

MOTION

The Finance and Facilities Committee recommends that the Board of Trustees approve the following motion for the university to open a bank account at St. Jean's Credit Union.

Recommended motion

The Board of Trustees authorizes the university to open a bank account at St. Jean's Credit Union bank account to deposit daily receipts. Authorized signers on the account will be the vice president for finance and facilities/CFO, university controller, associate director of accounts payable and associate director of payroll.

The motion passed.

The committee discussed the following agenda items in more detail.

Dashboard-work in process (Attachment J)

Vice President House introduced, acknowledged and thanked Scott Stanton, senior director of budget and continuous improvement and Graham Morris, business analyst for their work on the dashboard presented. The dashboard is intended to supplement other financial documents the board already receives.

Each section of the dashboard content was described. Recommendations and suggestions regarding the dashboard were received from the trustees. Vice President House's team will consider the input and present a revised dashboard in a future meeting. Trustees were encouraged to contact Vice President House with any other suggestions or questions.

DCAMM funding and five year critical repairs plan (Attachment G)

The university has a backlog of over \$253 million in deferred maintenance. The Division of Capital Management and Maintenance (DCAMM) will fund Salem \$8.4 million over five years with the university matching \$4.2 million (currently budgeted). Roof projects primarily have been included in the plan submitted for DCAMM's approval.

Science teaching laboratories (Attachment G)

The Science Teaching Lab Addition (STLA) proposal was approved as a Readiness project. DCAMM has assigned a project manager and the study is anticipated to be completed in eight months, in time for the next round of funding requests (anticipated submission deadline December 2019.) Trustees discussed how to use public/private partnerships to assist with funding for the science facilities.

The city’s elementary school has de-occupied the Horace Mann building. An evaluation of work needed to meet building codes for Salem State to occupy it is underway.

Upcoming residence halls maintenance projects (Attachment G, K, L)

Peabody and Bowditch residence halls on North Campus are in need of major plumbing repairs and renovations to replace aging and failing bathroom infrastructure. Part of the cost of this project will require MSCBA to issue debt, with the university incurring operating expense (assessment) to pay MSCBA to service the debt. During the discussion, a motion was made by Trustee Russell and seconded by Trustee Lutts.

MOTION

The Finance and Facilities Committee recommends that the Board of Trustees approve the following motion regarding the Peabody/Bowditch residence halls plumbing project and debt.

Recommended motion

The Board of Trustees of Salem State University, working with the Massachusetts State College Building Authority (MSCBA), hereby approves the Peabody/Bowditch Bathroom Renovations project described in Exhibit A. The total project cost will not exceed \$9.5 million. The project is to be financed through a combination of previous project savings of \$200,000, system reserves of \$2 million and proceeds through the sale of revenue bonds issued by the MSCBA not to exceed a maximum of \$7.3 million for this project. The increase in Salem State’s assessment expense will be covered through future rate increases for residential students (approximately \$260 per residential student per year, at current occupancy levels, or 2.6% rent increase per year).

The president and vice president for finance and facilities of the university are hereby authorized to do all things and take all actions necessary to implement this decision. This action shall be effective upon its approval by the Board of Trustees.

Voting in the affirmative: Trustees Katzman, Butts, Lutts, Russell, Wilkens
Voting against: Trustee Murphy

The motion passed.

There being no further business to come before the committee, Trustee Lutts moved and Trustee Murphy seconded a motion to adjourn.

MOTION: to adjourn the meeting.

The motion passed.

The meeting adjourned at 6:53 pm.

Prepared by: D. Beaulieu, staff assistant, finance and facilities

Finance and Facilities Committee Work Plan for FY19

September 26, 2018 w BOT Oct. 17, 2018

- Organizational
 - Committee charter (action)
 - Committee work plan for the year (discussion)
- Finance and Investment Matters
 - FY18 preliminary results (information)
 - Investment performance for period ending June 30, 2018 (information)
 - Summer conference and hospitality initiative (information)
 - FY18 consulting expenses (information)
 - FY19 budget status (information)
- Monitoring Performance
 - Dashboard-Work in Process (discussion)
 - DHE Performance Measurement (verbal)
- Real estate, facilities, and sustainability
 - DCAMM funding and five-year critical repairs plan (information)
 - Science Teaching Laboratories (discussion)
 - Upcoming residence halls maintenance projects (information)
 - Salem Diner Lease (information)
 - Sustainability update (information)
 - Capital projects status update (information)

Meeting date - TBD

- Residence Hall Repair Bond - Debt issuance (approval)
- Review FY18 financial results – metrics (information)

January 30, 2019 – w/BOT February 13, 2019

- Finance and Investment Matters
 - Investment advisors – 1 of 2 required annual meetings, review calendar 2018 performance (discussion)
 - Review of FY19 Q1 financials (information)
 - FY19 Financial Dashboard (information)
- Real estate, facilities, and sustainability
 - Capital projects status update (information)
 - Sustainability update (information)

March 27, 2019 w BOT April 10, 2019

- Finance and Investment Matters
 - Review of FY19 Q2 financials
 - FY19 Financial Dashboard (information)
 - Investment advisors – 2 of 2 required annual meetings (strategy)
 - Graduate & CE Fees for FY20 (approval)
 - SGA FY20 fees (approval)
 - FY20 budget planning
- Real estate, facilities, and sustainability
 - Capital projects status update

May 22, 2019 w BOT June 5, 2019

- Finance and Investment Matters
 - Review of FY19 Q3 financials
 - FY19 Financial Dashboard (information)
 - Undergraduate Fees for FY20 (approval)
 - FY20 all funds budget (approval) (includes trust funds & contracts > \$500K)
- Real estate, facilities, and sustainability
 - Capital projects status update


*Business model discussions may be conducted at Finance and Facilities Committee meetings at 3:30 pm prior to the following full board meetings: February 13, 2019, April 10, 2019, and June 5, 2019. This is pending with the Board leadership and Secretary.

FY18 Preliminary Results

The university is in the process of closing its books for FY18 and undergoing the annual independent and federal program audits. The intent here is to provide a sense of the FY18 budget year results while awaiting completion of the process in October. At this writing on September 6, entries remain to be recorded, notably for GASB 68 (Pension) and GASB 75 (Other Post-Employment Benefits, or OPEB) and any final adjustments. When the final closing entries are recorded, there will be a significant Non-Cash Expense, and therefore a significant overall decrease in net position, due primarily to the GASB accounting standards referenced. As FY18 is the first year of implementing the OPEB standard, as discussed in January there will be a major impact from it. In addition to the large Non-Cash Expense, GASB 75 will require a multi-million-dollar liability to be placed on the balance sheet. The university awaits GASB 75 figures from the Commonwealth Comptroller's Office.

As can be seen below, the university appears to have finished FY18 with approximately \$9.5 million positive Managed Net Income, for the following reasons:

- Favorable investment income compared to a conservative budget for same
- Gift income received via the Salem State University Foundation
- Miscellaneous and summer conference income
- Payroll expenses significantly lower than budget due to two factors:
 - Inability to pay the union salary increases that were budgeted, due to the timing of the settlement, approval, and funding of collective bargaining agreement contracts that will be retroactive to FY18. Such expenses will be reflected instead as unbudgeted expenses in FY19.
 - Position vacancies higher than budgeted, resulting in compensation expenses not incurred although planned.
- Utilities expense savings

		PRELIMINARY RESULTS	
		NOT FINAL AND NOT AUDITED	
BUD077 - Budget Variance - Mgmt View			
FY 2018 / Jun (Open) / Management View / All Funds / \$K			
Run on: 9/6/2018 9:22:03 AM / Data as of: 9/6/2018 4:00 AM			
Account Description	FY 2017 Year End Actuals (\$K)	FY 2018 Original Budget (\$K)	FY 2018 YTD-Jun Actuals (\$K)
Total Managed Revenue	166,254	172,671	172,065
Total Managed Expenses	160,934	169,574	162,530
Managed Net Income	5,320	3,097	9,535
Management Cash Flow Ratio	3.2%	1.8%	5.5%
Non-Cash Revenue/(Expenses):			
Total Non-Cash Revenue/(Expenses)	-5,636	-9,524	-6,391
Total Increase/Decrease in Net Position	-316	-6,427	3,145

WEALTH MANAGEMENT REVIEW



September 23, 2018

Michael Tyler, CFA
Chief Investment Officer
617-897-1122

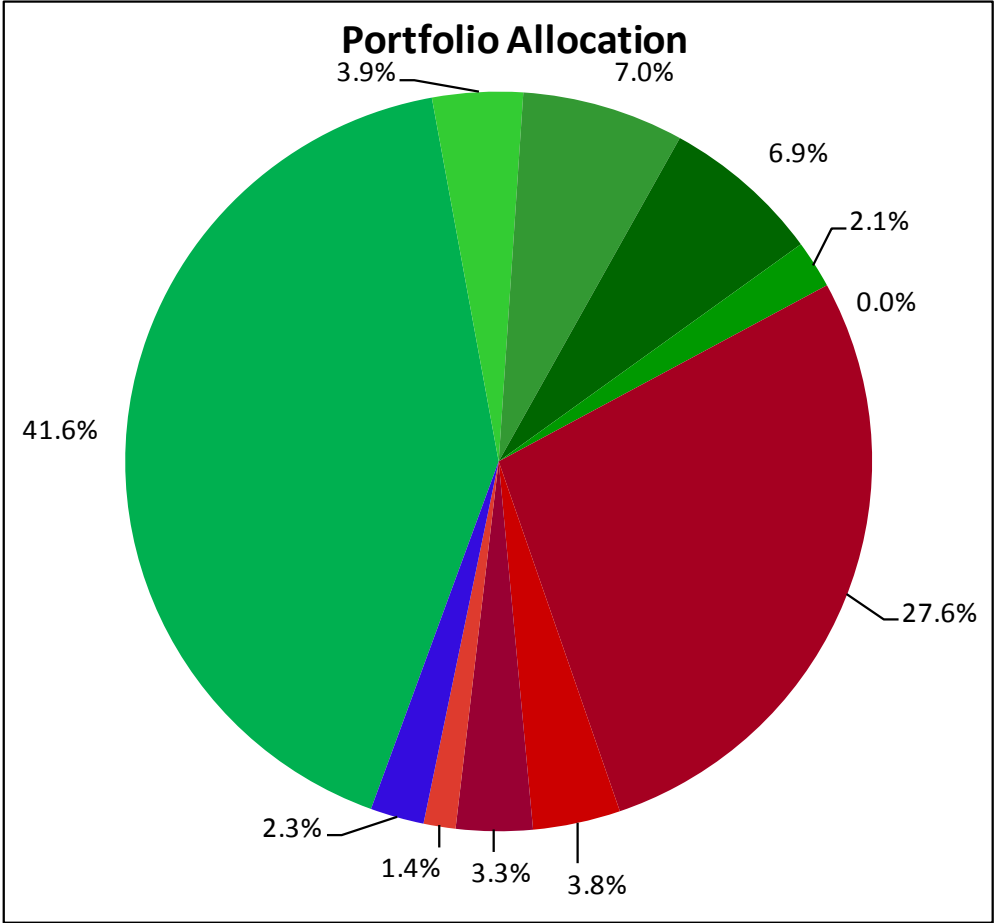
John F. Doherty, CFP®
Vice President
781-581-4215

Agenda

I. Portfolio Review	3
II. Bond Maturity Distribution	4
III. Corporate Bond Rating	5
IV. Investment Policy	6
V. Portfolio Performance Review	7-14
VI. Economic Outlook	15
VII. Asset Allocation – Current Posture	16
VIII. Market Monitors and Strategies	17-24
IX. Appendix	25
I. SRI Multi-Asset Portfolio Holdings	26
II. Biographies	27-28
III. Notices and Disclaimers	29

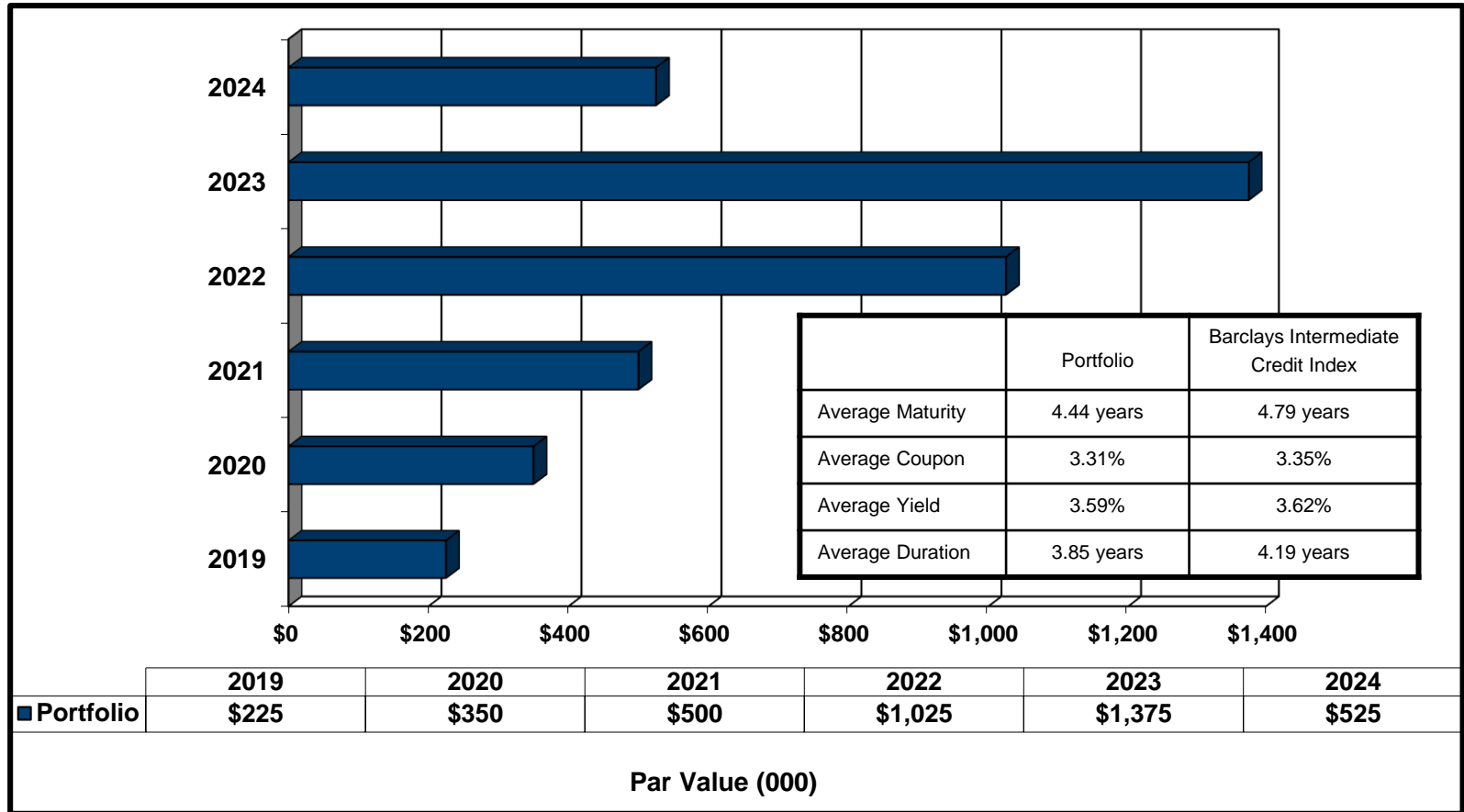
PORTFOLIO REVIEW FOR ACCOUNT #2427524

Account Value as of 06/30/2018:
\$14,352,855



Equities	61.5%
Individual Stocks	41.6%
Small/Mid-Cap ETFs	3.9%
Sector & Tactical ETFs	7.0%
Internat'l - Developed ETFs	6.9%
Internat'l - Emerging ETFs	2.1%
Global ex-USA ETFs	0.0%
Fixed Income	36.1%
Laddered Bonds & ETFs	27.6%
Intermediate Term ETF's	3.8%
Floating Rate & TIPS ETFs	3.3%
High Yield Mutual Fund	1.4%
Money Market	2.3%
Cash	2.3%

Bond Maturity Distribution



INDIVIDUAL CORPORATE BOND RATINGS

<u>Description</u>	<u>Units</u>	<u>Purchase Date</u>	<u>Time of Purchase</u>	<u>Current</u>	<u>Time of Purchase</u>	<u>Current</u>
			<u>Moody's Rating</u>	<u>Moody's Rating</u>	<u>S&P Rating</u>	<u>S&P Rating</u>
CHUBB HOLDINGS 2.7% 03/13/2023	100,000	10/11/2016	A3	A3	A	A
AMERIPRISE FINANCIAL, INC. 4% 10/15/2023	175,000	12/15/2016	A3	A3	A	A
AT&T INC 3.6% 02/17/2023	225,000	1/30/2018	Baa1	Baa2	BBB+	BBB
AUTO DESK 3.125% 06/15/2020	200,000	7/18/2017	Baa2	Baa2	BBB	BBB
BANK OF AMERICA CORP 3.3% 01/11/2023	100,000	9/12/2016	Baa1	A3	BBB+	A-
CARDINAL HEALTH, INC. 3.2% 3/15/2023	150,000	7/21/2016	Baa2	Baa2	A-	BBB+
CBS 3.7% 08/15/2024	150,000	4/28/2017	Baa2	Baa2	BBB	BBB
CELGENE CORP 4% 08/15/2023	200,000	12/15/2016	Baa2	Baa2	BBB+	BBB+
CITIGROUP 3.375% 03/01/2023	150,000	7/21/2016	Baa1	Baa1	BBB+	BBB+
CSX CORP 3.4% 08/01/2024	175,000	4/28/2017	Baa1	Baa1	BBB+	BBB+
CVS 3.5% 07/20/2022	200,000	1/19/2017	Baa1	Baa1	BBB+	BBB
DEUTSCHE BANK 2.50% 02/13/19	125,000	2/26/2014	A2	Baa3	A	BBB-
E M C CORP. 2.65% 06/01/20	150,000	7/28/2014	A1	Ba2	A	BB-
EBAY INC 3.8% 03/09/2022	250,000	1/30/2018	Baa1	Baa1	BBB+	BBB+
FORD MOTOR 4.25% 09/20/2022	200,000	1/19/2017	Baa2	Baa3	BBB	BBB
HEWLETT-PACKARD CO 4.05% 09/15/2022	250,000	1/30/2018	Baa2	Baa2	BBB	BBB
HYATT HOTES 3.375% 07/15/2023	125,000	12/20/2017	Baa2	Baa2	BBB	BBB
MONSANTO CO. 2.75% 07/15/21	200,000	11/17/2014	A3	Baa1	BBB+	BBB
TIME WARNER, INC. 3.4% 06/15/2022	125,000	10/5/2016	Baa2	Baa2	BBB	BBB
VODAFONE GROUP 2.95% 02/19/2023	150,000	10/5/2016	Baa1	Baa1	BBB+	BBB+
WELLS FARGO & CO 2.15% 01/15/19	100,000	12/18/2013	A2	A2	A+	A-
WELLS FARGO & CO 3.00% 01/22/21	100,000	2/3/2015	A2	A2	A+	A-
WHIRLPOOL 4% 03/01/2024	200,000	12/20/2017	Baa1	Baa1	BBB	BBB
XILINX, INC. 3.00% 03/15/21	200,000	11/17/2014	A3	A3	A-	N/R

FF 12 of 104

SALEM STATE: INVESTMENT POLICY CHECKLIST

Key Item (as of June 30, 2018)	Policy	Salem State	Compliant?
Equity ratings: Common stocks: S&P Stock Guide Mutual funds: Morningstar	B+ 3 Star or better	B+ 3 & 4 Star	Yes Yes
Fixed Income: Corporate bonds position limit Maximum maturity Minimum individual bond rating	<35% of fund 7 years Baa / BBB	27.6% 6.125 years Baa2 / BBB	Yes Yes Yes
Alternative investments: Derivatives, forwards, swaps, futures	Prohibited	None held	Yes
Asset allocation range: Equities Fixed Income Cash	50% - 75% 25% - 50% 0% - 10%	61.5% 36.2% 2.3%	Yes Yes Yes
Fossil fuel divestment: Carbon Underground 200 Alternative energy suppliers	Divest prudently Seek options	None currently held Several funds held	Yes Yes

PORTFOLIO PERFORMANCE

Investment Performance						
Strategy: Growth with Income (Corp)						
As of June 30, 2018						
Asset Class / Benchmark	Ending Market Value	Allocation	YTD	1 Year	3 Year	5 Year
			Total Return	Annualized Total Return	Annualized Total Return	Annualized Total Return
Salem State University Portfolio	\$14,352,855	100.0%	0.36%	8.54%	6.73%	7.83%
Total Benchmark		100.0%	0.47%	7.69%	7.19%	8.19%
Equities	\$8,833,092	61.5%	1.22%	13.76%	9.83%	11.47%
Multi Asset Equity Blend*		60.0%	1.54%	13.15%	10.67%	12.06%
Fixed Income	\$5,186,013	36.2%	-1.44%	-0.49%	1.38%	1.56%
Barclays Interm Credit Index		37.0%	-1.45%	-0.36%	1.96%	2.51%
Money Market	\$333,750	2.3%	0.57%	0.93%	0.35%	0.00%
Lipper Money Market Index		3.0%	0.67%	1.08%	0.49%	0.30%
Portfolio Return Gross of Fee			0.36%	8.54%	6.73%	7.83%
Portfolio Return Net of Fee			0.13%	8.05%	6.26%	7.39%
*Consists of Blended 60/40 S&P 500/MSCI All Country World Index						
Note: Market values shown here and on First Rate performance reports may differ slightly. Values are shown here on a "cash basis." On First Rate performance reports, market values are shown on an "accrual basis" including income earned but not yet received.						
Source: First Rate						

Performance Review: 1H CY 2018

- Overall performance slightly lagged benchmark
- U.S. asset allocation continued to add value
 - Equities outperformed bonds again in 1H 2018
 - We pared equities in January 2018 but remain overweight
- Fixed income portfolio matched its benchmark
- Core U.S. equity slightly lagged benchmarks but led peers
 - Absence of fossil-fuel stocks neither helped nor hurt performance
 - Growth again beat value, continuing 2017 trend and helping SSU
- Longer-term Core U.S. equity remains ahead of peers
 - Performance is above peer group median for 1, 3, and 5-year periods
- International equities lagged the U.S.
 - Focus on Europe and emerging markets detracted from performance

Performance: 1H CY 2018 Equities

- Morningstar surveyed ~4,000 active managers of U.S. large-cap equities
- Growth has beaten value in 2017 and again in 1H 2018
- Our return on large-cap stocks is steadily second quartile

As of June 30, 2018	2016	2017	1Q 2018	2Q 2018	1-Year	3-Years	5-Years
Eastern Bank	9.66%	23.69%	-0.92%	4.14%	16.15%	11.29%	12.56%
EBWM Percentile	51	32	53	27	32	34	43
Large-Cap Peer Group	9.80%	20.78%	-0.82%	2.93%	13.46%	10.15%	12.03%
Core (Blended)	10.49%	20.80%	-0.89%	2.86%	13.04%	10.23%	12.13%
Growth	3.09%	28.31%	2.54%	5.23%	21.10%	12.64%	14.81%
Value	14.19%	16.01%	-2.44%	1.43%	8.37%	8.16%	9.95%
S&P 500	11.98%	21.84%	-0.76%	3.44%	14.38%	11.95%	13.44%

Source: Morningstar, Eastern Bank Wealth Management

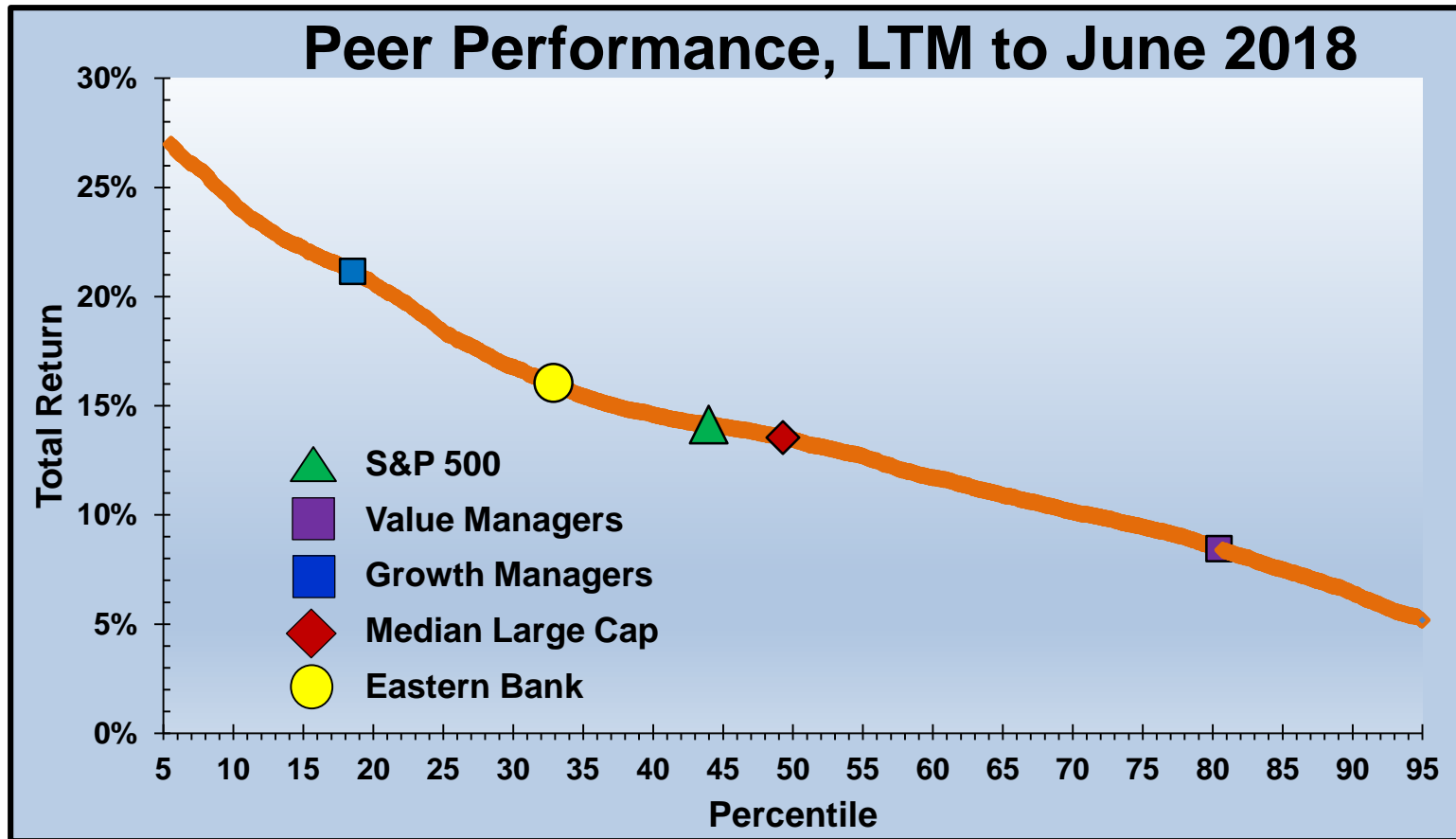
Eastern Bank results are for indicative Core model portfolio, net of fees; individual client results may differ.

- Fossil-fuel free portfolios lagged traditional portfolios by approximately 10 bps over last 6 months

Performance Review: FY 2018

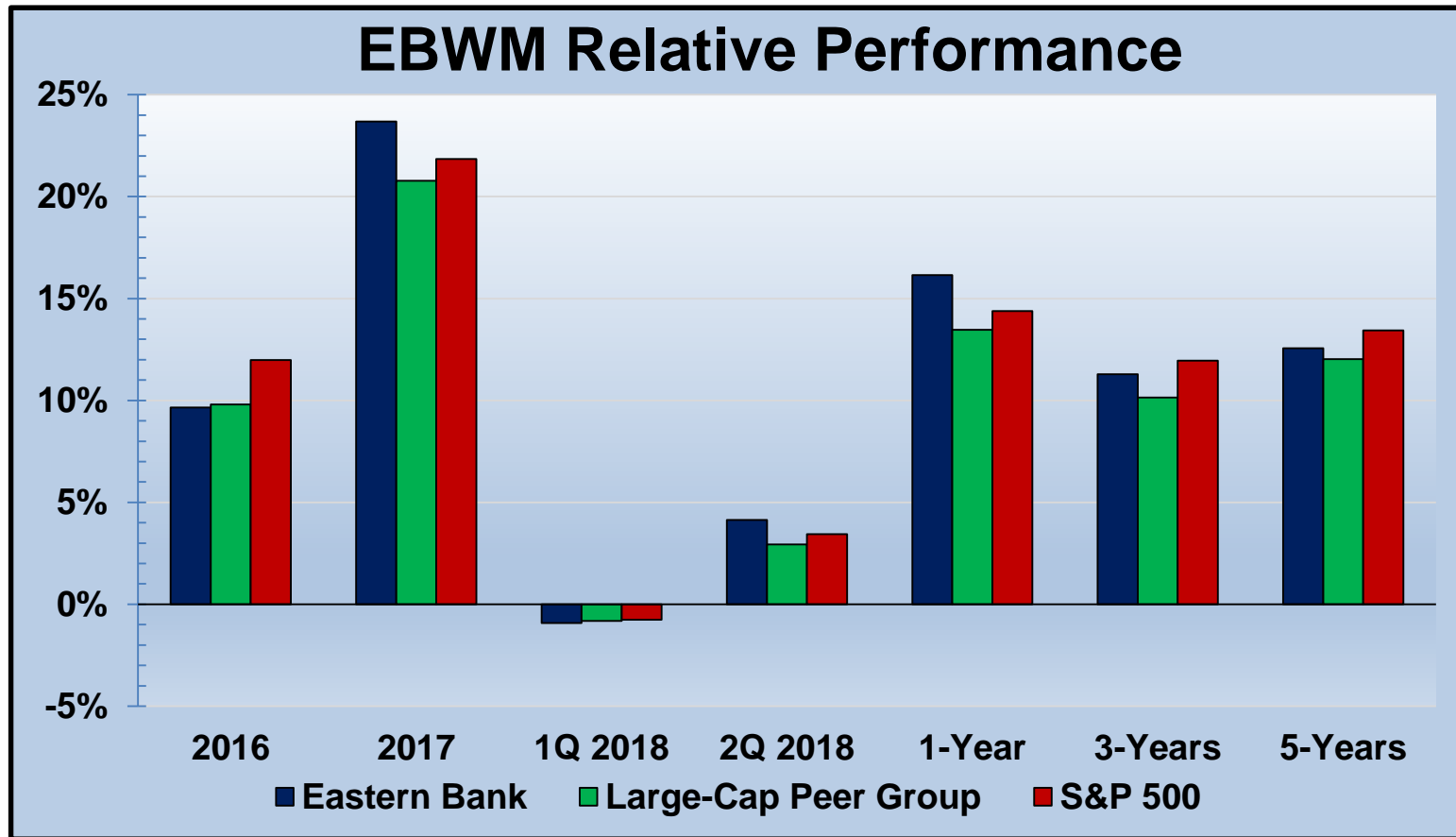
- Overall performance beat the benchmark by 36 bps
- U.S. asset allocation continued to add value
 - Equities outperformed bonds throughout FY 2018
 - We let equities run throughout CY 2017, then trimmed in Jan. 2018
- Fixed income portfolio missed its benchmark by 13 bps
 - Credit exposure helped, offset by slightly short duration vs. index
- Core U.S. equity beat the S&P 500 and our peer group
 - Emphasis on growth stocks drove Core to beat S&P 500 by 210 bps
 - Core U.S. stock portfolio total return of 16.53% placed us in the 31st percentile of large-cap U.S. active managers
- International equities lagged the U.S., mostly since Jan.
 - Focus on Europe and emerging markets detracted from performance

Performance Review: Last 12 Months



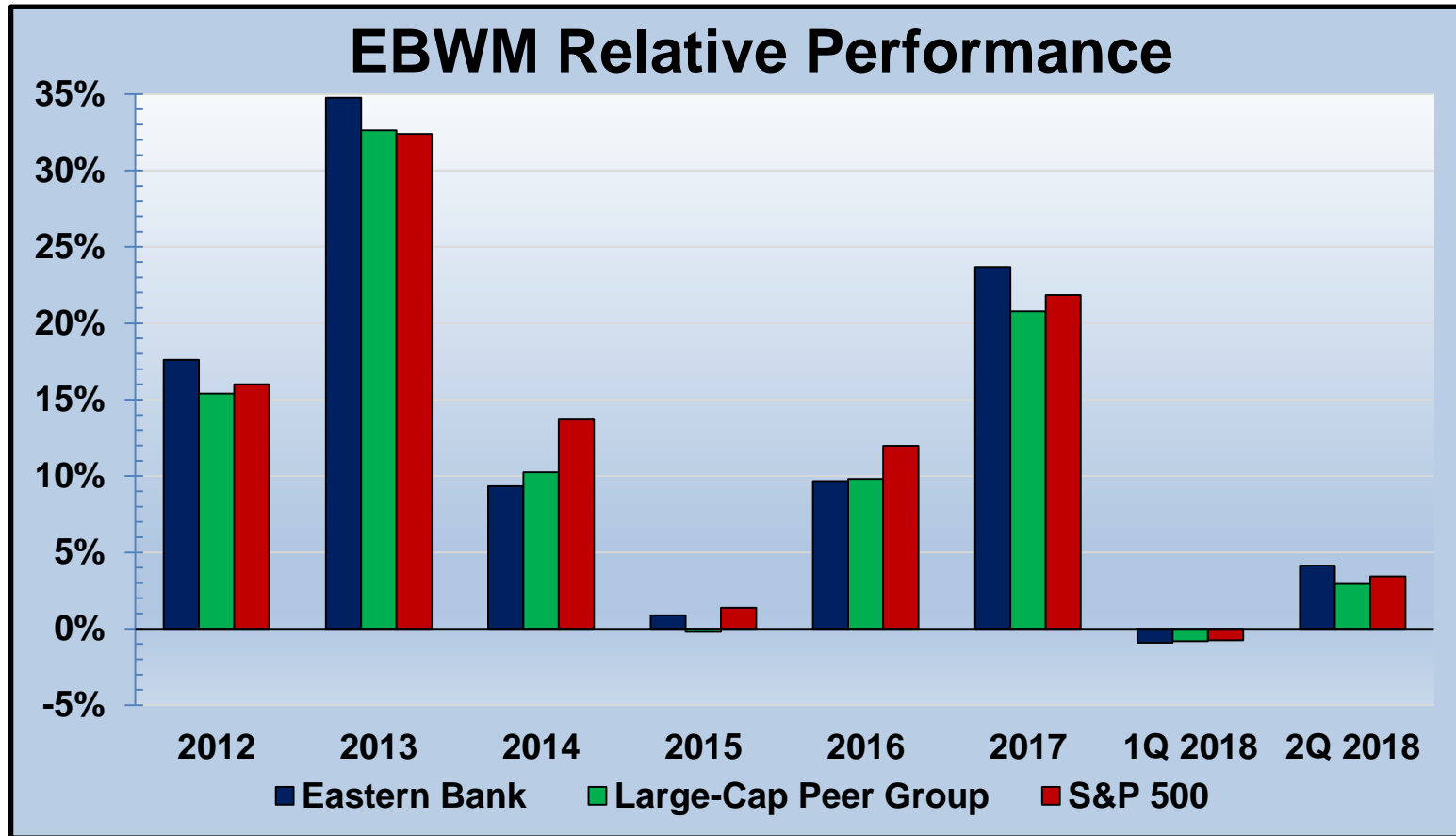
Source: Morningstar, Eastern Bank Wealth Management

Eastern Bank vs. Peers



Source: Morningstar, Eastern Bank Wealth Management

Eastern Bank vs. Peers



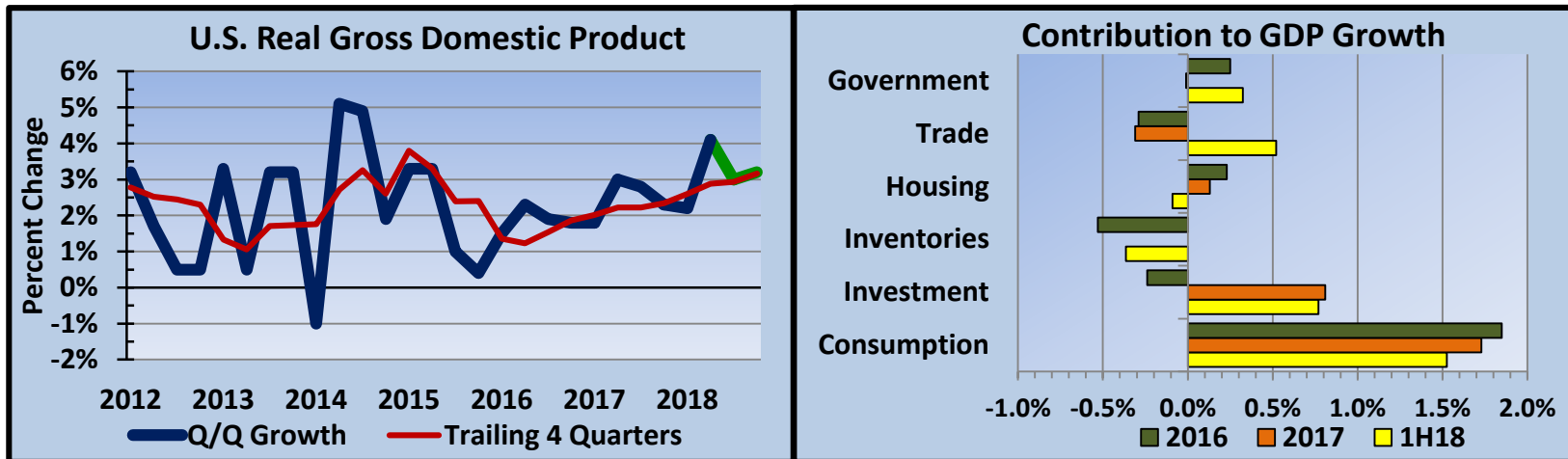
Source: Morningstar, Eastern Bank Wealth Management

Recent Portfolio Changes

- Tactical asset allocation
 - Reduced equities position to 4.5% over neutral, vs. 13% at year-end
 - In global portfolios, shifted slightly to Europe & emerging markets
- Equity trades (selected transactions)
 - Purchases and additions: AbbVie, Broadcom, Cognizant Technology Solutions, McDonald's, PNC Bank, Union Pacific, United Tech.
 - Sales and trims: Bristol-Myers Squibb, Celgene, Chevron, Conoco Phillips, Halliburton, Masco, PayPal Holdings, Starbucks, Wells Fargo
- ETF and mutual fund transactions
 - Purchases: DFA U.S. Sustainability Core Equity, Calvert Small-Cap, Wilderhill Clean Energy, Invesco Solar, Calvert Global Water, Calvert Emerging Markets, Domini Impact International
 - Sales and Trims: iShares Russell Mid-Cap Growth, iShares Russell 2000 Value, iShares Eurozone, MSCI ACWI ex-U.S.

FF 21 of 104

Economic Outlook



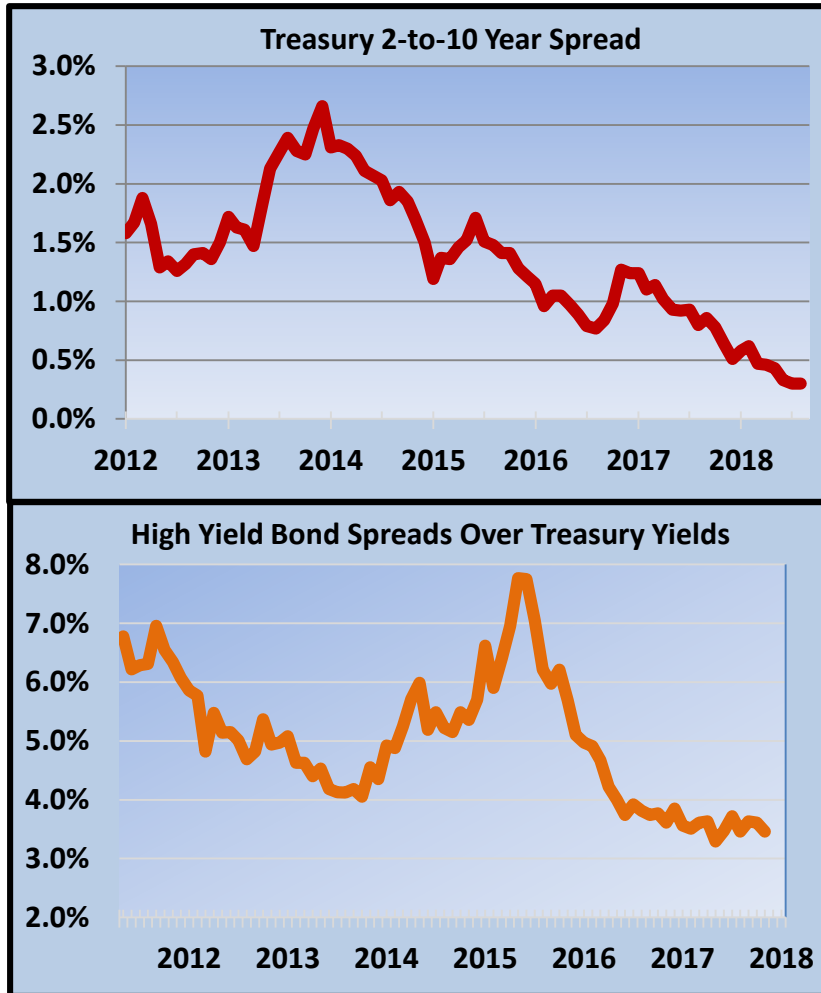
- Second-quarter GDP growth accelerated sharply, in part because agriculture exports soared in advance of expected tariff implementation. Consumer spending recovered from a winter slowdown, while durable goods orders remained healthy. The U.S. economy remains on pace to grow by about 3% this year.
- The prospect of a trade war with China threatens to undermine an otherwise healthy outlook. So far, both sides have alternated hawkish pronouncements with dovish negotiations, and the outlook is far from certain. Neither the U.S. nor China would benefit from a trade war.

FF 22 of 104

Asset Allocation: Current Posture

- Outlook
 - Equity valuations are reasonable, based on solid fundamentals and strong earnings growth; “growth” is more expensive than “value.”
 - Short-term interest rates remain on a slowly upward path, but long-term yields haven’t budged. Except in Japan, central banks globally are backing away from ultra-loose monetary policy.
 - The prospect of an inverted yield curve in the U.S. can’t be ignored, even as the European yield curve has steepened.
- Strategy
 - We favor global equities over bonds. Yet despite a bullish outlook, we trimmed our equity overweight from 13% to 4.5% in January.
 - In our global equity portfolios, we remain focused on the United States, Europe, and emerging markets.
 - Our fixed income duration remains close to neutral. Strong balance sheets and a strong economy mean credit spreads can remain tight.

Market Monitor: Fixed Income



- Yields have been moving higher this year, but the U.S. Treasury yield curve has continued to flatten. Term premiums are low.
- Investors now expect the Fed to raise interest rates four times this year, and to continue at the same pace into 2019.
- Treasury yields remain high in comparison with near-zero yields on comparable sovereign debt in Europe or Japan; this supports long-term bond prices.
- Credit spreads are tight, reflecting confidence in the U.S. economy. High-yield spreads remain below 400 bps.

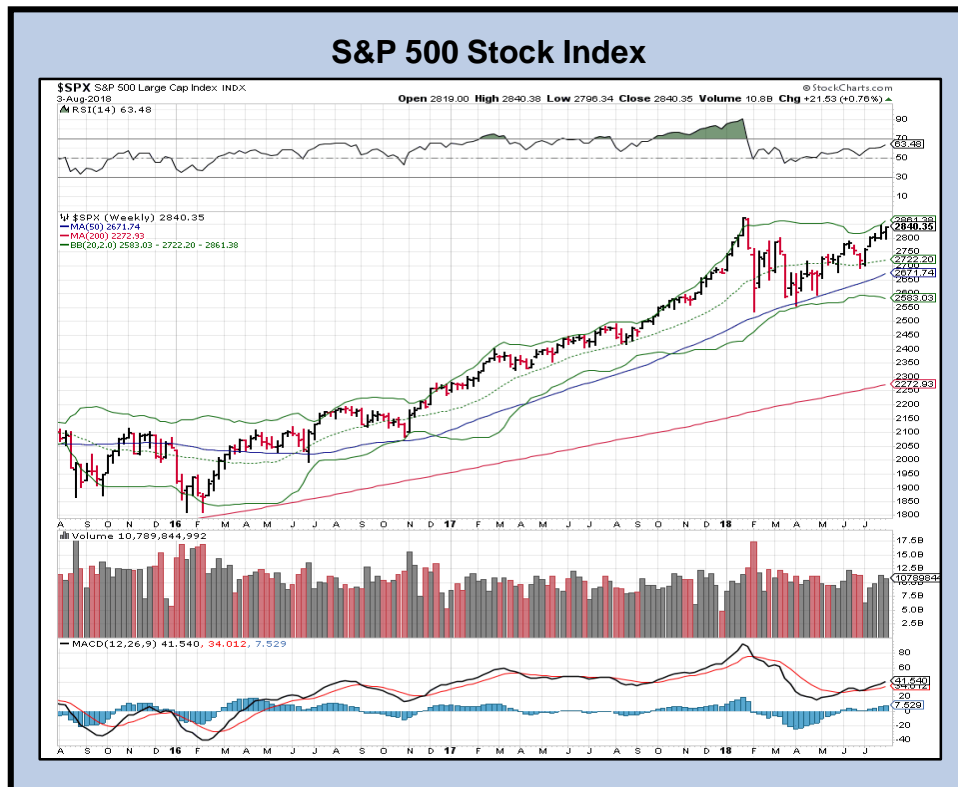
FF 24 of 104

Active Fixed Income Strategy

- Outlook
 - Inflation has been creeping up as a result of tax cuts, a tight housing market, rising oil prices, and wage increases. Yet OPEC and U.S. producers are raising output. Inflation should remain about 2.5%.
 - While the Fed is likely to continue raising short-term rates, we think long-term bond yields are constrained by ultra-low global rates. The yield curve is nearly flat from 7 to 30 years, and may invert.
- Strategy
 - We remain slightly underweight fixed income. We have shifted our high-yield corporate bond holdings into shorter-duration funds, seeking to retain our credit risk exposure while reducing interest rate risk. We maintain inflation protection in the form of TIPS.
 - Strong corporate balance sheets in contrast with widening federal government deficits suggest that investment grade spreads can remain under 100 bps and high yield spreads under 400 bps.

Market Monitor: Domestic Equity

- U.S. stock prices continued their recent recovery through July, although they are still below their January highs. Large-cap equities are about 6% above their year-end levels. Momentum and growth strategies have dramatically outperformed low-P/E value strategies, as they did in 2017.

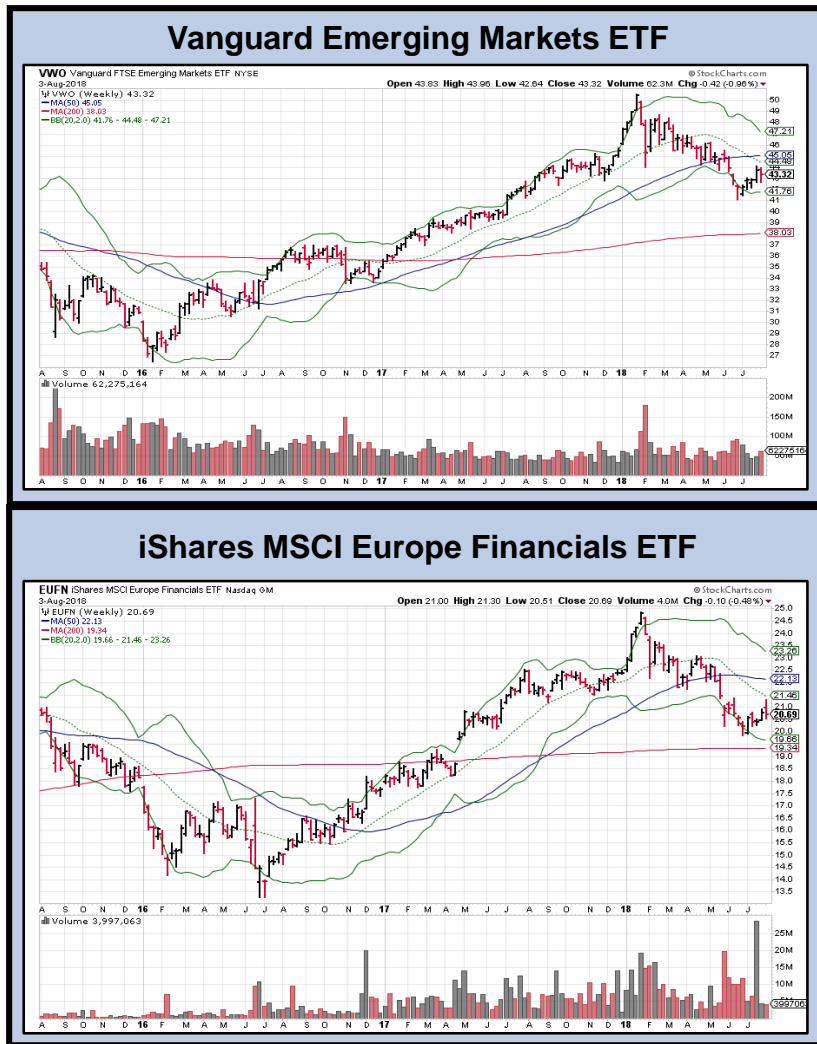


- Small-cap indexes remain ahead of the S&P 500 this year. Smaller companies would be harmed less by a tariff war and benefit more from tax reform.
- Despite stumbles by Facebook and Twitter, technology stocks have led the market, while “rust” sectors (real estate, utilities, staples, and telecom) have lagged.

Domestic Equity Strategy Review

- Outlook
 - A more hawkish Federal Reserve and the fear of a possible trade war are keeping the market in check, but we are still bullish about the global economy in 2018.
 - Stocks with strong earnings growth and healthy balance sheets – banks and technology companies, for example – are well-positioned to lead the broad market higher through the balance of 2018.
- Strategy
 - Political uncertainties remain, but the main drivers of the market rally over the past year remain intact. Business equipment investment remains very strong. Corporate earnings are driving long-term stock prices; political issues buffet markets but ultimately are secondary.
 - Domestic equity portfolios remain diversified across all sectors of the economy. We remain overweight financial, energy, and industrial stocks.

Market Monitor: International Equity



- Emerging markets have stumbled badly, victims of a stronger dollar and rising short-term U.S. interest rates. Most developed markets have also slipped this year, as investors feared an incipient trade war between the U.S. and China.
- Central bank policy is diverging after years of unity. The Bank of Japan remains accommodative, while the European Central Bank has indicated that its quantitative easing program will end soon; the Fed's rate hikes give the ECB cover to help Europe's commercial banks.

International Equity Strategy Review

- Outlook
 - We think international markets offer both diversification and risk-management benefits for Multi-Asset investors. Valuations remain below U.S. levels, which limits downside risk. These are long-term investments that may take time to play out fully.
- Strategy
 - Multi-Asset portfolios are slightly underweight foreign markets compared with their benchmarks. Outside the U.S., we favor the eurozone and emerging markets. We maintain positions in small-cap companies that are leveraged to growth in developed markets.
 - In Europe, the combination of low valuations and reviving earnings growth is attractive, but bank profits have been under pressure from the European Central Bank's aggressive monetary policy. The ECB recently indicated that its bond-buying program is nearly complete, but interest rates will remain low for the foreseeable future. We think that the Continent's economic slowdown is temporary.

Market Monitor: Other Asset Classes

Oil (West Texas Intermediate)



U.S. Dollar Index



- After a two-year rally, oil prices have stabilized in recent weeks, as higher American and OPEC production has been balanced by deterioration of Venezuela's output and high global demand.
- The dollar's rally has stalled, despite more hawkish Fed commentary and rising interest rates and a slight uptick in inflation. Other central banks are beginning to tighten policy, diluting the dollar's appeal.
- Alternative asset class returns have been unimpressive, due to high fees and increasingly crowded trades.

Other Asset Classes Strategy

- Outlook
 - Rising U.S. interest rates are a major concern for alternative assets: They reduce the incentive to own commodities or precious metals, they undercut the profitability of debt-financed hedge funds and private equity, and they limit what investors will pay for real estate.
- Strategy
 - As the Fed continues to raise interest rates, traditional hedges against inflation and currency devaluation – e.g. precious metals and industrial commodities – will be less appealing to investors. We don't hold assets in these areas.
 - We do not recommend alternative asset classes such as hedge funds, private equity, or venture capital. Historical returns have been lackluster, funds are overcapitalized, and fees remain too high, even for the so-called “liquid alternatives” that package such assets into mutual funds.

Appendix

SRI MULTI-ASSET PORTFOLIO HOLDINGS (as of 6/30/18)

Portfolio Weightings vs 60/40 Blended Benchmark

Industry Weightings	% Of Portfolio	% Of Blend	Industry Weightings	% Of Portfolio	% Of Blend
CONSUMER DISCRETIONARY	8.85%	13.17%	HEALTH CARE	9.73%	12.87%
MCDONALD'S	1.06%		BECTON DICKINSON	1.47%	
THE HOME DEPOT, INC.	1.55%		MERCK & CO	1.51%	
AMAZON.COM, INC.	2.78%		DANAHER CORP	1.27%	
NIKE, INC.	1.33%		JOHNSON & JOHNSON	1.38%	
ROYAL CARIBBEAN CRUISES	1.03%		ABBVIE	1.15%	
COMCAST CORPORATION	1.10%		UNITEDHEALTH GROUP	1.56%	
CONSUMER STAPLES	5.59%	7.44%	ABBOTT LABS	1.39%	
CVS HEALTH CORP.	1.18%		INDUSTRIALS	7.18%	9.79%
COSTCO WHOLESALE CORP.	1.35%		FEDEX CORP	1.36%	
MONSTER BEVERAGE CORP	1.07%		EATON CORP	1.10%	
PROCTER & GAMBLE CO	0.84%		3M CO.	1.15%	
SYSCO CORP	1.15%		CATERPILLAR	1.23%	
ENERGY		6.33%	UNITED TECHNOLOGIES	1.00%	
FINANCIALS	10.81%	15.82%	NORTHROP GRUMMAN	1.34%	
BANK OF AMERICA CORP.	2.10%		INFORMATION TECH	18.43%	23.11%
MORGAN STANLEY	1.37%		BROADCOM	1.08%	
JPMORGAN CHASE & CO.	2.14%		ADOBE SYSTEMS INC.	1.93%	
ALLSTATE CORP.	1.24%		ALPHABET INC. CLASS A	1.98%	
PNC FINANCIAL	1.05%		ALPHABET INC. CLASS C	0.72%	
BLACKROCK, INC.	1.40%		ANALOG DEVICES, INC.	1.15%	
SCHWAB CORP.	1.51%		APPLE INC	2.56%	
FUNDS	33.03%	0.04%	FACEBOOK, INC.	2.44%	
SPDR FINANCIAL ETF	1.99%		SALESFORCE.COM, INC.	2.01%	
SPDR INDUSTRIAL ETF	1.99%		VISA INC	1.84%	
CALVERT GLOBAL WATER	2.01%		INTUIT INC	1.75%	
CALVERT GLOBAL ENERGY	2.01%		COGNIZANT TECHNOLOGY	0.97%	
INVESCO WILDERHILL CLEAN ENER	2.01%		MATERIALS	2.07%	3.61%
INVESCO SOLAR ETF	2.01%		PPG INDUSTRIES	0.82%	
DFA US SUSTAINABILITY CORE	2.98%		DOWDUPONT INC	1.25%	
CALVERT INTERNATIONAL	3.01%		TELECOMMUNICATION	1.66%	2.29%
DFA INTERNATIONAL SUSTAINABILIT	5.02%		VERIZON COMMUNICATIONS	1.66%	
DOMINI IMPACT INTERNATIONAL	3.51%		UTILITIES	1.99%	3.05%
CALVERT SMALL CAP FUND	2.98%		XCEL ENERGY INC	1.19%	
CALVERT EMERGING MARKETS	3.51%		NEXTERA ENERGY INC	0.80%	
			REAL ESTATE		2.30%
			CASH	0.66%	0.18%

Target allocation as of 6/30/2018; Allocation may not reflect EWM's current view and should not be used as the base of an investment decision.

Securities listed are not to be considered as a recommendation to buy or sell and are not guaranteed to be in portfolios. *Benchmark is a blend of 60% S&P 500 and 40% MSCI ACWI

Michael A. Tyler, CFA

- Chief Investment Officer, Eastern Bank Wealth Management
- Former Partner at Wellington Management in Boston
 - Built and led telecom investment practice
- Founder/CEO of investment boutique
 - Advised institutional clients on corporate takeovers and managed hedge fund
- Board Memberships
 - Align Impact, helping us invest congruently with our mission and values
 - Associated Industries of Massachusetts, state's largest trade group
- Frequent commentator on national (CNBC) and regional TV
- Harvard MBA, Princeton BA



FF 34 of 104

John F. Doherty, CFP[®], CTFA

- Vice President, Eastern Bank Wealth Management since 2006
 - Over 20 years previously with BankBoston, Fleet National Bank, and Bank of America
- Expertise in trust, investments & banking
 - Clients include non-profit organizations, individuals, families, and trusts
- Board Memberships
 - Essex County Estate Planning Council, Lynn Home for Women
 - Active in youth activities in Melrose
- Suffolk University BS-Finance, Bentley University MBA
 - National Graduate Trust School (Northwestern University)
 - Certification in Financial Planning (Boston University)



Notices and Disclosure

- ***Investment Products:*** *Not insured by FDIC or any federal government agency. Not deposits of or guaranteed by any bank. May lose value.*
 - Eastern Bank Wealth Management is a division of Eastern Bank. Views are as of the date above and are subject to change based on market conditions and other factors. This material is for your private information and we are not soliciting any action based on it. All material has been obtained from sources believed to be reliable but its accuracy is not guaranteed. There is neither representation nor warranty as to the accuracy of, nor liability for the decisions based on such information.
 - Opinions expressed are our current opinions as of the date appearing on this material only. All opinions herein are subject to change without notice.
 - Past performance does not guarantee future performance. Investments made through Eastern Bank Wealth Management are not insured by FDIC or any federal government agency, are not deposits of or guaranteed by any bank, and may lose value.

Investment Review

Account Name	SALEM STATE	Account Number	2427524
		Assets Held As Of	JUN 30, 2018
		Valued As Of	JUN 30, 2018

Important Information

GAINS TAXED TO.....	EXEMPT	INCOME TAXED TO.....	EXEMPT
TRUST TAX YEAR END.....		TRUST TAX FILING STATUS.....	AGENCY
LONG TERM CARRYOVER LOSS....		SHORT TERM CARRYOVER LOSS...	
OFFICER.....	JOHN DOHERTY	INVESTMENT OBJECTIVE.....	GROWTH WITH INCOME
REVOCABILITY.....		INVESTMENT AUTHORITY.....	SOLE
FINAL TERMINATION DATE.....		DATE OF DEATH.....	
		TRUST SITUS.....	MASSACHUSETTS

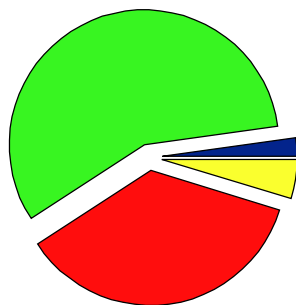
TRUSTEE RESTRICTIONS:

REMARKS:

RECOMMENDED CHANGES: SECURITY	PRICE	VALUE	COST	INCOME	EST INCOME CHANGE: EST GAIN/LOSS: RATIONALE FOR RECOMMENDATION:
----------------------------------	-------	-------	------	--------	--

SUMMARY OF INVESTMENTS

Investment Allocation



2.3%	■	CASH ITEMS	333,750.03
56.8%	■	EQUITIES	8,156,327.92
36.2%	■	FIXED INCOME SECURITIES	5,186,012.74
4.7%	■	MUTUAL FUNDS	676,763.94
<hr/>			
100.0%		Total	14,352,854.63

Investment Review

Account Name	SALEM STATE	Account Number	2427524
		Assets Held As Of	JUN 30, 2018
		Valued As Of	JUN 30, 2018

SUMMARY OF INVESTMENTS

Investment Summary

	Market Value	%	Estimated Income	Current Yield
CASH ITEMS				
PRINCIPAL CASH				
MONEY MARKET FUNDS	333,750.03	2.33	4,739	1.42
TOTAL CASH ITEMS	333,750.03	2.33	4,739	1.42
FIXED INCOME SECURITIES				
MUTUAL FUND - GOV. BONDS MUTUAL FUNDS	297,840.00	2.08	5,041	1.69
CORPORATE/OTHER BONDS	3,967,142.25	27.64	136,482	3.44
MUTUAL FUND - FIXED INCOME MUTUAL FUNDS	725,649.49	5.06	26,152	3.60
MUTUAL FUND - SHORT TERM FIXED INCOME MUTUAL FUNDS	195,381.00	1.36	3,375	1.73
TOTAL FIXED INCOME SECURITIES	5,186,012.74	36.13	171,050	3.30
EQUITIES				
COMMON STOCKS				
COMPUTER SOFTWARE and SERVICES	94,866.99	0.66	841	0.89
CONSUMER DISCRETIONARY	820,272.58	5.72	11,282	1.38
CONSUMER STAPLES	421,033.19	2.93	6,579	1.56
FINANCIALS	901,492.94	6.28	16,992	1.88
HEALTH CARE	962,524.26	6.71	21,574	2.24
INDUSTRIALS	608,017.41	4.24	13,694	2.25
INFORMATION TECHNOLOGY	1,623,932.37	11.31	10,986	0.68
MATERIALS	193,815.71	1.35	4,029	2.08
TELECOMMUNICATION SERVICES	156,212.55	1.09	7,328	4.69
UTILITIES	185,285.07	1.29	5,668	3.06
TOTAL COMMON STOCKS	5,967,453.07	41.58	98,973	1.66
MUTUAL FUND - LARGE CAP EQUITIES MUTUAL FUNDS	600,611.44	4.18	9,354	1.56
MUTUAL FUND - INTERNATIONAL EQUITIES MUTUAL FUNDS	997,151.15	6.95	24,470	2.45

Investment Review

Account Name	SALEM STATE	Account Number	2427524
		Assets Held As Of	JUN 30, 2018
		Valued As Of	JUN 30, 2018

SUMMARY OF INVESTMENTS**Investment Summary**

	Market Value	%	Estimated Income	Current Yield
MUTUAL FUND-SMALL AND MID CAP EQUITIES MUTUAL FUNDS	291,270.87	2.03	822	0.28
MUTUAL FUND - INTERNATIONAL EMERGING MKTS MUTUAL FUNDS	299,841.39	2.09	884	0.29
TOTAL EQUITIES	8,156,327.92	56.83	134,503	1.65
MUTUAL FUNDS				
MUTUAL FUNDS				
MUTUAL FUNDS	513,816.54	3.58	6,690	1.30
MUTUAL FUNDS	162,947.40	1.14	3,139	1.93
ENERGY				
TOTAL MUTUAL FUNDS	676,763.94	4.72	9,829	1.45
TOTAL FUND	14,352,854.63	100.00	320,121	2.23

For the Tax Year Ending 12/31

Net Short Term Gain/Loss

122,570.43

Net Long Term Gain/Loss *

1,001,434.71

* Includes Long Term Capital Gains Dividends

SUMMARY OF INVESTED INCOME**Investment Summary**

	Market Value	%	Estimated Income	Current Yield
CASH ITEMS				
INCOME CASH				
TOTAL FUND				

Investment Review

Account Name SALEM STATE

Account Number 2427524
Assets Held As Of JUN 30, 2018
Valued As Of JUN 30, 2018**SCHEDULE OF INVESTMENTS**

UNITS	DESCRIPTION	TAX COST	UNIT COST	CURRENT PRICE	MARKET VALUE	INC RATE	EST CURRENT INC	YIELD	PLG COD
CASH ITEMS									
	PRINCIPAL CASH	0			0			0.0	
MONEY MARKET FUNDS									
	FEDERATED GOV'T OBLIGATION TAX MANAGED FUND # 637	333,750			333,750	1.42	4,739	1.4	
	TOTAL CASH ITEMS	333,750			333,750		4,739	1.4	
FIXED INCOME SECURITIES									
MUTUAL FUND - GOV. BONDS									
MUTUAL FUNDS									
2,482	I SHARES BARCLAYS 3-7 YR T	296,854	119.60	120.00	297,840	2.03	5,041	1.7	
CORPORATE/OTHER BONDS									
100,000	WELLS FARGO & CO 2.15% 01/15/2019	100,128	100.13	99.668	99,668	2.15	2,150	2.2	
125,000	DEUTSCHE BANK AG LONDON 2.5% 02/13/2019	125,255	100.20	99.306	124,133	2.50	3,125	2.5	
150,000	E M C CORP 2.65% 06/01/2020	150,587	100.39	97.114	145,671	2.65	3,975	2.7	
200,000	AUTODESK, INC. 3.125% 06/15/2020	203,953	101.98	99.726	199,452	3.13	6,250	3.1	
100,000	WELLS FARGO & CO 3% 01/22/2021	102,552	102.55	99.345	99,345	3.00	3,000	3.0	
200,000	XILINX, INC. 3% 03/15/2021	201,060	100.53	99.117	198,234	3.00	6,000	3.0	
200,000	MONSANTO CO 2.75% 07/15/2021	199,600	99.80	97.515	195,030	2.75	5,500	2.8	
250,000	EBAY INC 3.8% 03/09/2022	257,297	102.92	100.962	252,405	3.80	9,500	3.8	
125,000	TIME WARNER INC 3.4% 06/15/2022	130,736	104.59	98.57	123,213	3.40	4,250	3.4	
200,000	CVS 3.5% 07/20/2022	204,771	102.39	99.119	198,238	3.50	7,000	3.5	
250,000	HEWLETT-PACKARD CO 4.05% 09/15/2022	259,251	103.70	100.769	251,923	4.05	10,125	4.0	
200,000	FORD MOTOR CREDIT CO 4.25% 09/20/2022	206,216	103.11	100.806	201,612	4.25	8,500	4.2	

Investment Review

Account Name SALEM STATE

Account Number 2427524
Assets Held As Of JUN 30, 2018
Valued As Of JUN 30, 2018**SCHEDULE OF INVESTMENTS**

UNITS	DESCRIPTION	TAX COST	UNIT COST	CURRENT PRICE	MARKET VALUE	INC RATE	EST INC	CURRENT YIELD	PLG COD
100,000	BANK OF AMERICA CORP 3.3% 01/11/2023	102,472	102.47	98.533	98,533	3.30	3,300	3.3	
225,000	A T & T INC 3.6% 02/17/2023	228,565	101.58	98.521	221,672	3.60	8,100	3.7	
150,000	VODAFONE GROUP 2.95% 02/19/2023	152,872	101.91	96.491	144,737	2.95	4,425	3.1	
150,000	CITIGROUP 3.375% 03/01/2023	155,270	103.51	98.439	147,659	3.38	5,063	3.4	
100,000	ACE INA HOLDINGS 2.7% 03/13/2023	102,541	102.54	96.798	96,798	2.70	2,700	2.8	
150,000	CARDINAL HEALTH, INC. 3.2% 03/15/2023	155,464	103.64	96.901	145,352	3.20	4,800	3.3	
125,000	HYATT HOTELS CORP 3.375% 07/15/2023	128,012	102.41	98.423	123,029	3.38	4,219	3.4	
200,000	CELGENE CORPORATION 4% 08/15/2023	207,132	103.57	100.849	201,698	4.00	8,000	4.0	
175,000	AMERIPRISE FINANCIAL INC 4% 10/15/2023	181,018	103.44	102.28	178,990	4.00	7,000	3.9	
200,000	WHIRLPOOL CORP. 4% 03/01/2024	209,603	104.80	100.949	201,898	4.00	8,000	4.0	
175,000	CSX CORPORATION 3.4% 08/01/2024	179,976	102.84	98.259	171,953	3.40	5,950	3.5	
150,000	CBS 3.7% 08/15/2024	153,694	102.46	97.268	145,902	3.70	5,550	3.8	
	TOTAL CORPORATE/OTHER BONDS	4,098,025			3,967,145		136,482	3.4	
MUTUAL FUND - FIXED INCOME									
MUTUAL FUNDS									
15,485.75	CALVERT INCOME FUND	255,979	16.53	15.92	246,533	0.54	8,362	3.4	
2,482	I SHARES TIPS BOND ETF	284,170	114.49	112.87	280,143	2.82	6,989	2.5	
30,424	PAX WORLD HIGH YIELD BOND-I	206,275	6.78	6.54	198,973	0.36	10,801	5.4	
	TOTAL MUTUAL FUNDS	746,424			725,649		26,152	3.6	
MUTUAL FUND - SHORT TERM FIXED INCOME									
MUTUAL FUNDS									
3,831	ISHARES FLOATING RATE BOND ETF	194,551	50.78	51.00	195,381	0.88	3,375	1.7	

Investment Review

Account Name SALEM STATE

Account Number 2427524
Assets Held As Of JUN 30, 2018
Valued As Of JUN 30, 2018**SCHEDULE OF INVESTMENTS**

UNITS	DESCRIPTION	TAX COST	UNIT COST	CURRENT PRICE	MARKET VALUE	INC RATE	EST CURRENT INC	YIELD	PLG COD
	TOTAL FIXED INCOME SECURITIES	5,335,854			5,186,015		171,050	3.3	
	EQUITIES								
	COMMON STOCKS								
	COMPUTER SOFTWARE and SERVICES								
1,201	COGNIZANT TECHNOLOGY SOL	97,119	80.87	78.99	94,867	0.70	841	0.9	
	CONSUMER DISCRETIONARY								
150	AMAZON.COM, INC	126,003	840.02	1699.80	254,970	0.00	0	0.0	
3,086	COMCAST CORP NEW CL A	100,819	32.67	32.81	101,252	0.76	2,345	2.3	
745	HOME DEPOT INC	58,653	78.73	195.10	145,350	4.12	3,069	2.1	
606	MCDONALD'S CORP	95,992	158.40	156.69	94,954	4.04	2,448	2.6	
1,686	NIKE INC. CL B	103,460	61.36	79.68	134,340	0.80	1,349	1.0	
863	ROYAL CARIBBEAN CRUISES, LTD.	70,040	81.16	103.60	89,407	2.40	2,071	2.3	
	TOTAL CONSUMER DISCRETIONARY	554,967			820,273		11,282	1.4	
	CONSUMER STAPLES								
591	COSTCO WHOLESALE CORP, NEW	65,888	111.49	208.98	123,507	2.28	1,347	1.1	
1,904	MONSTER BEVERAGE CORP	94,333	49.54	57.30	109,099	0.00	0	0.0	
1,029	PROCTER & GAMBLE CO	69,876	67.91	78.06	80,324	2.87	2,952	3.7	
1,583	SYSCO CORP	82,438	52.08	68.29	108,103	1.44	2,280	2.1	
	TOTAL CONSUMER STAPLES	312,535			421,033		6,579	1.6	
	FINANCIALS								
1,179	ALLSTATE CORP	78,202	66.33	91.27	107,607	1.84	2,169	2.0	
6,275	BANK AMERICA CORP	95,711	15.25	28.19	176,892	0.48	3,012	1.7	
229	BLACKROCK INC.	84,286	368.06	499.04	114,280	11.52	2,638	2.3	
1,746	J P MORGAN CHASE & CO	114,244	65.43	104.20	181,933	2.24	3,911	2.1	
2,397	MORGAN STANLEY	44,011	18.36	47.40	113,618	1.00	2,397	2.1	

Investment Review

Account Name SALEM STATE

Account Number 2427524
Assets Held As Of JUN 30, 2018
Valued As Of JUN 30, 2018**SCHEDULE OF INVESTMENTS**

UNITS	DESCRIPTION	TAX COST	UNIT COST	CURRENT PRICE	MARKET VALUE	INC RATE	EST INC	CURRENT YIELD	PLG COD
640	PNC BANK CORP	96,675	151.05	135.10	86,464	3.00	1,920	2.2	
2,362	CHARLES SCHWAB	100,957	42.74	51.10	120,698	0.40	945	0.8	
	TOTAL FINANCIALS	614,086			901,492		16,992	1.9	
	HEALTH CARE								
2,038	ABBOTT LABORATORIES INC	124,266	60.97	60.99	124,298	1.12	2,283	1.8	
1,020	ABBVIE INC	115,342	113.08	92.65	94,503	3.84	3,917	4.1	
592	BECTON DICKINSON CO	65,596	110.80	239.56	141,820	3.00	1,776	1.3	
1,568	CVS HEALTH CORPORATION	123,249	78.60	64.35	100,901	2.00	3,136	3.1	
1,137	DANAHER CORP	97,955	86.15	98.68	112,199	0.64	728	0.6	
1,021	JOHNSON & JOHNSON	80,244	78.59	121.34	123,888	3.60	3,676	3.0	
2,109	MERCK & CO INC. NEW	92,032	43.64	60.70	128,016	1.92	4,049	3.2	
558	UNITEDHEALTH GROUP, INC.	124,886	223.81	245.34	136,900	3.60	2,009	1.5	
	TOTAL HEALTH CARE	823,570			962,525		21,574	2.2	
	INDUSTRIALS								
711	CATERPILLAR INC.	97,169	136.66	135.67	96,461	3.44	2,446	2.5	
486	FEDEX CORPORATION	46,877	96.45	227.06	110,351	2.60	1,264	1.1	
366	NORTHROP GRUMMAN	111,597	304.91	307.70	112,618	4.80	1,757	1.6	
520	3M CO	125,567	241.48	196.72	102,294	5.44	2,829	2.8	
732	UNITED TECHNOLOGIES CORP	91,394	124.86	125.03	91,522	2.80	2,050	2.2	
1,268	EATON CORP PLC	101,874	80.34	74.74	94,770	2.64	3,348	3.5	
	TOTAL INDUSTRIALS	574,478			608,016		13,694	2.3	
	INFORMATION TECHNOLOGY								
684	ADOBE SYSTEMS INC.	74,235	108.53	243.81	166,766	0.00	0	0.0	
61	ALPHABET, INC. CL C	20,896	342.55	1115.65	68,055	0.00	0	0.0	
164	ALPHABET, INC. CL A	71,731	437.38	1129.19	185,187	0.00	0	0.0	

Investment Review

Account Name SALEM STATE

Account Number 2427524
Assets Held As Of JUN 30, 2018
Valued As Of JUN 30, 2018**SCHEDULE OF INVESTMENTS**

UNITS	DESCRIPTION	TAX COST	UNIT COST	CURRENT PRICE	MARKET VALUE	INC RATE	EST INC	CURRENT YIELD	PLG COD
1,083	ANALOG DEVICES	53,934	49.80	95.92	103,881	1.92	2,079	2.0	
1,285	APPLE	127,290	99.06	185.11	237,866	2.92	3,752	1.6	
404	BROADCOM INC	95,157	235.54	242.64	98,027	7.00	2,828	2.9	
1,223	FACEBOOK CL A	141,848	115.98	194.32	237,653	0.00	0	0.0	
807	INTUIT	131,925	163.48	204.305	164,874	1.56	1,259	0.8	
1,417	SALESFORCE.COM	81,281	57.36	136.40	193,279	0.00	0	0.0	
1,271	VISA, INC	44,811	35.26	132.45	168,344	0.84	1,068	0.6	
	TOTAL INFORMATION TECHNOLOGY	843,108			1,623,932		10,986	0.7	
	MATERIALS								
1,771	DOWDUPONT INC.	96,308	54.38	65.92	116,744	1.52	2,692	2.3	
743	P P G INDUSTRIES	77,434	104.22	103.73	77,071	1.80	1,337	1.7	
	TOTAL MATERIALS	173,742			193,815		4,029	2.1	
	TELECOMMUNICATION SERVICES								
3,105	VERIZON COMMUNICATIONS INC	126,555	40.76	50.31	156,213	2.36	7,328	4.7	
	UTILITIES								
445	NEXTERA ENERGY INC	63,183	141.99	167.03	74,328	4.44	1,976	2.7	
2,429	XCEL ENERGY, INC.	65,259	26.87	45.68	110,957	1.52	3,692	3.3	
	TOTAL UTILITIES	128,442			185,285		5,668	3.1	
	TOTAL COMMON STOCKS	4,248,602			5,967,451		98,973	1.7	
	MUTUAL FUND - LARGE CAP EQUITIES								
	MUTUAL FUNDS								
12,457.96	DFA U S SUSTAINABILITY CORE 1	272,331	21.86	21.78	271,334	0.28	3,488	1.3	
6,228	SPDR FINANCIAL INDEX	146,669	23.55	26.59	165,603	0.46	2,834	1.7	
2,285	SPDR INDUSTRIAL SELECT	145,341	63.61	71.63	163,675	1.33	3,032	1.9	

Investment Review

Account Name SALEM STATE

Account Number 2427524
Assets Held As Of JUN 30, 2018
Valued As Of JUN 30, 2018**SCHEDULE OF INVESTMENTS**

UNITS	DESCRIPTION	TAX COST	UNIT COST	CURRENT PRICE	MARKET VALUE	INC RATE	EST INC	CURRENT YIELD	PLG COD
	TOTAL MUTUAL FUNDS	564,341			600,612		9,354	1.6	
	MUTUAL FUND - INTERNATIONAL EQUITIES								
	MUTUAL FUNDS								
14,551.86	CALVERT INTERNATIONAL OPPORTUNITIES FUND	195,811	13.46	18.28	266,008	0.33	4,802	1.8	
39,873	DFA INTERNATIONAL SUSTAINABILITY CORE	452,381	11.35	10.63	423,850	0.25	9,968	2.4	
36,194.72	DOMINI IMPACT INTERNATIONAL EQUITY FUND INSTITUTIONAL	334,324	9.24	8.49	307,293	0.27	9,700	3.2	
	TOTAL MUTUAL FUNDS	982,516			997,151		24,470	2.5	
	MUTUAL FUND-SMALL AND MID CAP EQUITIES								
	MUTUAL FUNDS								
10,681	CALVERT SMALL CAP FUND	278,143	26.04	27.27	291,271	0.08	822	0.3	
	MUTUAL FUND - INTERNATIONAL EMERGING MKTS								
	MUTUAL FUNDS								
18,810.63	CALVERT EMERGING MARKETS EQUITY FUND	339,444	18.05	15.94	299,841	0.05	884	0.3	
	TOTAL EQUITIES	6,413,046			8,156,326		134,503	1.6	
	MUTUAL FUNDS								
	MUTUAL FUNDS								
	MUTUAL FUNDS								
8,685	CALVERT GLOBAL WATER FUND	181,007	20.84	19.83	172,224	0.27	2,362	1.4	
23,036	CALVERT GLOBAL ENERGY SOLUTIONS	179,545	7.79	7.09	163,325	0.11	2,442	1.5	
7,145	INVESCO BUYBACK WILDERHILL CLEAN ENERGY ETF	183,071	25.62	24.95	178,268	0.26	1,886	1.1	
	TOTAL MUTUAL FUNDS	543,623			513,817		6,690	1.3	

Investment Review

Account Name SALEM STATE

Account Number 2427524
 Assets Held As Of JUN 30, 2018
 Valued As Of JUN 30, 2018

SCHEDULE OF INVESTMENTS

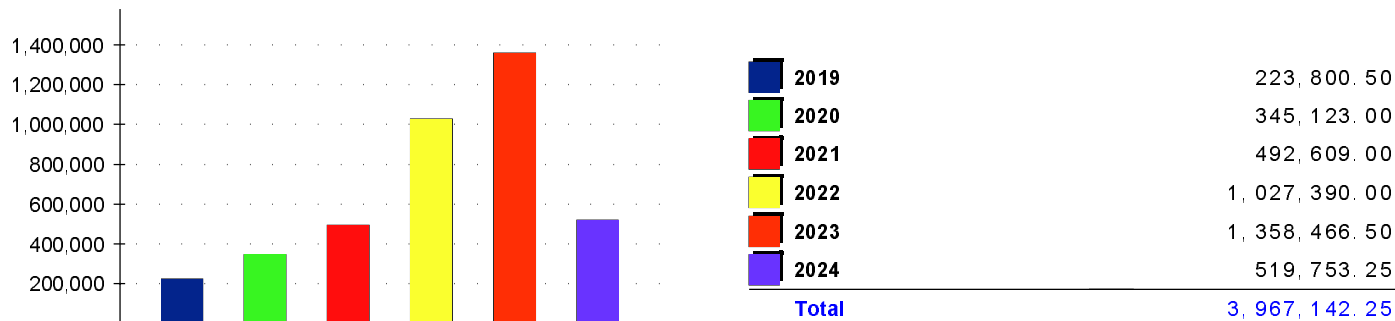
UNITS	DESCRIPTION	TAX COST	UNIT COST	CURRENT PRICE	MARKET VALUE	INC RATE	EST CURRENT INC	YIELD	PLG COD
	ENERGY								
7,054	INVESCO EX SOLAR ETF	183,262	25.98	23.10	162,947	0.45	3,139	1.9	
	TOTAL MUTUAL FUNDS	726,885			676,764		9,829	1.5	
	TOTAL FUND	12,809,535			14,352,855		320,121	2.2	

SCHEDULE OF INCOME INVESTMENTS

UNITS	DESCRIPTION	TAX COST	UNIT COST	CURRENT PRICE	MARKET VALUE	INC RATE	EST CURRENT INC	YIELD	PLG COD
	INCOME CASH	0			0		0.0		

MATURITY SCHEDULE

Maturities by Year



Investment Review

Account Name SALEM STATE

Account Number 2427524
 Assets Held As Of JUN 30, 2018
 Valued As Of JUN 30, 2018

MATURITY SCHEDULE

Percent at Market by Year



5.6%	2019	223,800.50
8.7%	2020	345,123.00
12.4%	2021	492,609.00
25.9%	2022	1,027,390.00
34.3%	2023	1,358,466.50
13.1%	2024	519,753.25
100.0%	Total	3,967,142.25

Maturing :	Federal Tax Cost	Current Market Value	Face Value	% at Market
2018				
2019	225,383.62	223,800.50	225,000.00	5.64
2020	354,539.93	345,123.00	350,000.00	8.70
2021	503,212.08	492,609.00	500,000.00	12.42
2022	1,058,270.66	1,027,390.00	1,025,000.00	25.90
2023	1,413,347.54	1,358,466.50	1,375,000.00	34.24
2024	543,273.42	519,753.25	525,000.00	13.10
2025				
2026				
2027				
TEN TO TWENTY YEARS				
OVER TWENTY YEARS				
TOTAL	4,098,027.25	3,967,142.25	4,000,000.00	100.00
MATURING NEXT 365 DAYS	225,383.62	223,800.50	225,000.00	5.64

Information may be a combination of maturity and prerefunded dates

Your Performance Statement

Investment activity through 06/30/2018

Your Portfolio Summary

Reporting period: December 31, 2017 to June 30, 2018

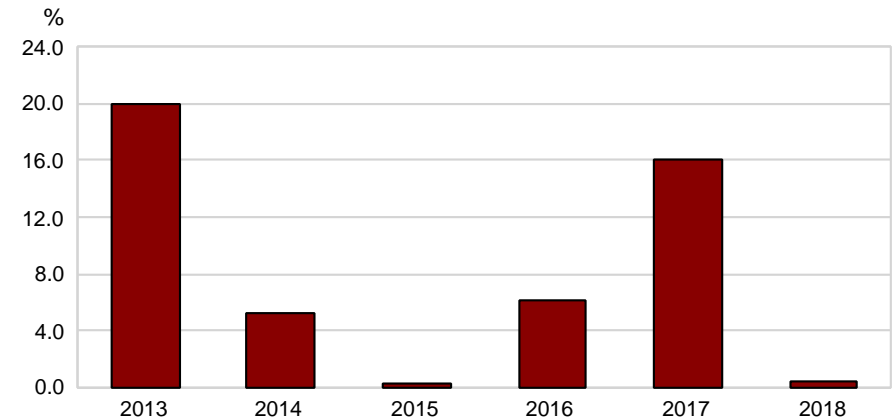
EASTERN BANK INVEST MGR FOR SALEM STATE UNIV (2427524)

Performance Measured Since: December 01, 1996

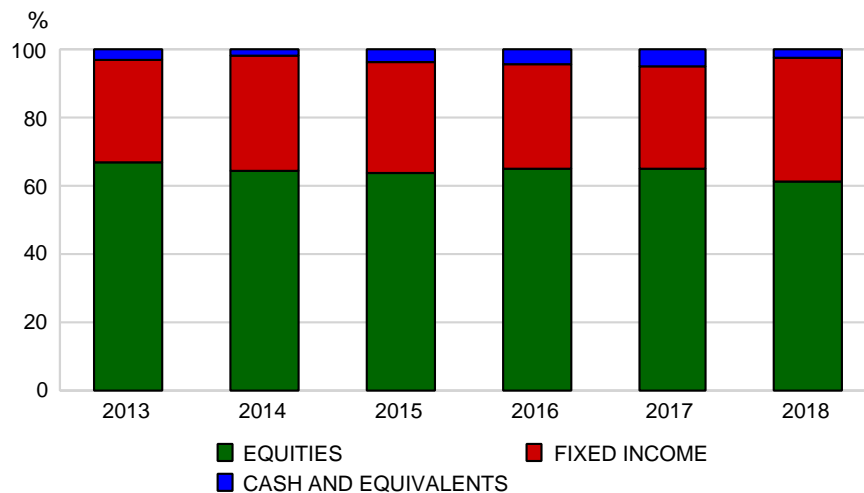
Portfolio Value - YTD

Beginning portfolio value	14,387,694.62
Contributions	51,997.27
Income earned	135,130.66
Withdrawals	-84,358.84
Market Appreciation	-83,165.30
Ending portfolio value	14,407,298.41
Total return	.36

Annual Portfolio Returns



Annual Portfolio Allocation



Portfolio Values By Asset Class

	Market value	% of Mkt val
DOMESTIC EQUITY	7,539,930	52.3
DOMESTIC FIXED INCOM	5,229,874	36.3
INTERNATIONAL EQUITY	1,296,993	9.0
CASH AND EQUIVALENTS	340,502	2.4
Total	14,407,298	100.0

Your Portfolio Performance

Reporting period: December 31, 2017 to June 30, 2018

EASTERN BANK INVEST MGR FOR SALEM STATE UNIV (2427524)

Performance Measured Since: December 01, 1996

	Market Value	Month to Date	Quarter to Date (3 Months)	Year to Date (6 Months)	1 Year	3 Years	5 Years	Inception to Date (259 Months)
TOTAL FUND	14,407,298	-.36	.89	.36	8.54	6.73	7.83	6.07
TOTAL NET OF FEES	14,407,298	-.40	.77	.13	8.05	6.26	7.39	5.80
Strategy: Growth with Income (Corp)		.05	1.38	.47	7.69	7.19	8.19	6.84
EQUITIES	8,836,922	-.45	1.53	1.22	13.76	9.83	11.47	6.85
Benchmark: Multi-Asset Equity Blend		.17	2.35	1.54	13.15	10.67	12.06	7.68
DOMESTIC EQUITY	7,539,930	-.05	2.87	2.36	15.24	11.10		
COMMON STOCK	5,971,284	.58	3.73	3.24	16.53	11.82		
DOMESTIC EQUITY FUNDS	1,568,646	-2.40	-.42	-1.10	10.09	6.77		
ETF - DOMESTIC EQUITY	341,215	-6.76	-2.68	-6.43				
ETF - DOMESTIC EQUITY	329,277	-2.55	-3.15	-2.44	9.35	7.60		
MUTUAL FUND - DOMESTIC EQUITY	271,334	.84						
MUTUAL FUND - DOMESTIC EQUITY	291,271	.89	6.44	4.72				
MUTUAL FUND - DOMESTIC EQUITY	335,549	-2.88	-2.59	-6.93				
INTERNATIONAL EQUITY	1,296,993	-2.68	-4.82	-4.33	6.13	3.71		
INTERNATIONAL EQUITY FUNDS	1,296,993	-2.68	-4.82	-4.33	6.13	3.71		
MUTUAL FUND - INTERNATIONAL EQUITIES	997,151	-1.96	-2.43	-3.88	10.25	8.94		
MUTUAL FUND - INTERNATIONAL EQUITIES	299,841	-5.01	-11.24	-11.73				
FIXED INCOME	5,229,874	-.24	-.14	-1.44	-.49	1.38	1.56	4.55
Benchmark: Barclays US Interm Credit TR USD		-.15	-.08	-1.45	-.36	1.96	2.51	5.14
DOMESTIC FIXED INCOME	5,229,874	-.24	-.14	-1.44	-.49	1.38		
DOMESTIC BONDS	4,011,004	-.32	-.14	-1.48	-.65	1.21		
CORPORATE BOND	4,011,004	-.32	-.14	-1.48	-.65	1.24		
DOMESTIC BOND FUNDS	1,218,870	.04	-.16	-1.33	.07	1.88		
ETF - GOVERNMENT BONDS	577,983	-.01	-.07	-1.45	-.23			
CORPORATE BOND FUNDS	640,887	.09	-.23	-1.23	.29	2.90		

Your Portfolio Performance

Reporting period: December 31, 2017 to June 30, 2018

EASTERN BANK INVEST MGR FOR SALEM STATE UNIV (2427524)

Performance Measured Since: December 01, 1996

	Market Value	Month to Date	Quarter to Date (3 Months)	Year to Date (6 Months)	1 Year	3 Years	5 Years	Inception to Date (259 Months)
ETF - CORPORATE BONDS	195,381	.11	.66	.59	1.31	3.03		
MUTUAL FUND - CORPORATE BONDS	445,506	.08	-.62	-2.01	-.17			
CASH AND EQUIVALENTS	340,502	.12	.33	.57	.93	.35	.21	2.10
CASH UNINVESTED	6,752	.00	.00	.00	.00	.00		
MONEY MARKET FUNDS	333,750	.12	.33	.57	.93	.35		
Benchmark: Lipper Money Mkt Fd IX		.13	.40	.67	1.08	.49	.30	2.02

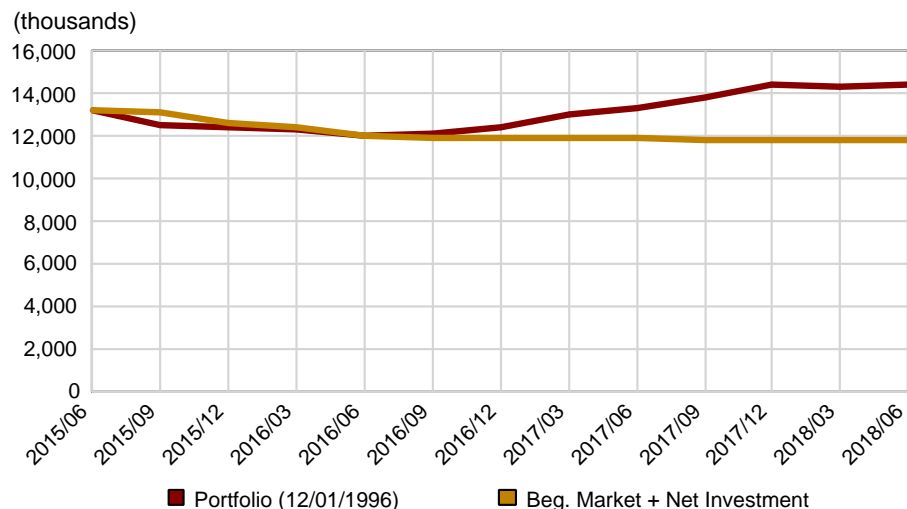
Your Portfolio Performance - Continued

Reporting period: December 31, 2017 to June 30, 2018

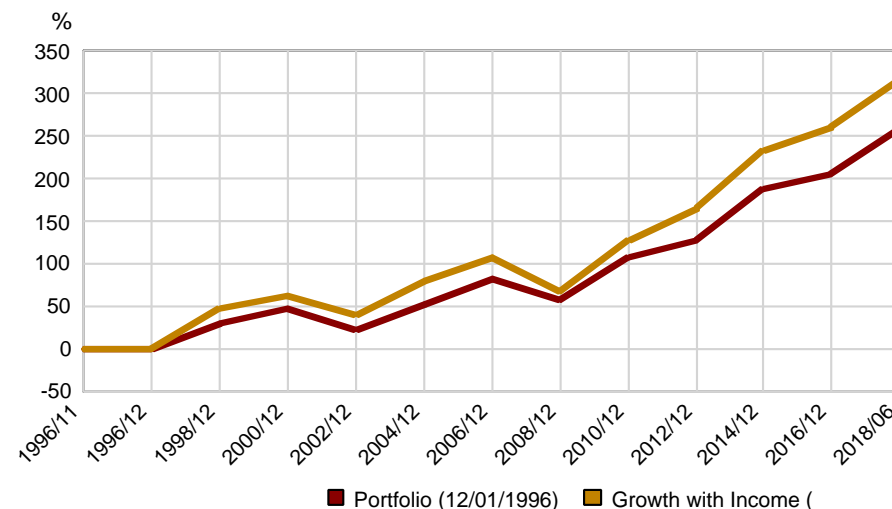
EASTERN BANK INVEST MGR FOR SALEM STATE UNIV (2427524)

Performance Measured Since: December 01, 1996

Trailing Three-Year Growth



Cumulative Returns Compared To Benchmark - ITD



Top 10 Performers - YTD

	Market value	% of Mkt val	Return
AMAZON.COM, INC	254,970	1.8	45.51
ADOBE SYSTEMS INC.	166,766	1.2	39.73
SALESFORCE.COM	193,279	1.3	33.85
NIKE INC. CL B	134,678	.9	28.14
INTUIT	164,874	1.1	25.24
VISA, INC	168,344	1.2	16.74
SYSCO CORP	108,103	.8	13.74
BECTON DICKINSON CO	141,820	1.0	12.68
COSTCO WHOLESALE CORP, NE	123,507	.9	12.44
FACEBOOK CL A	237,653	1.7	11.21

Bottom 10 Performers - YTD

	Market value	% of Mkt val	Return
3M CO	102,294	.7	-17.46
ABBVIE INC	94,503	.7	-17.27
COMCAST CORP NEW CL A	101,252	.7	-17.27
CELGENE CORPORATION	0	.0	-14.80
MASCO CORP	0	.0	-14.59
PROCTER & GAMBLE CO	80,324	.6	-13.57
POWERSHARES SOLAR PORTFOL	0	.0	-13.06
CATERPILLAR INC.	96,461	.7	-12.36
ROYAL CARIBBEAN CRUISES,	89,925	.6	-12.19
ALLSTATE CORP	108,150	.8	-12.15

Your Allocation Overview

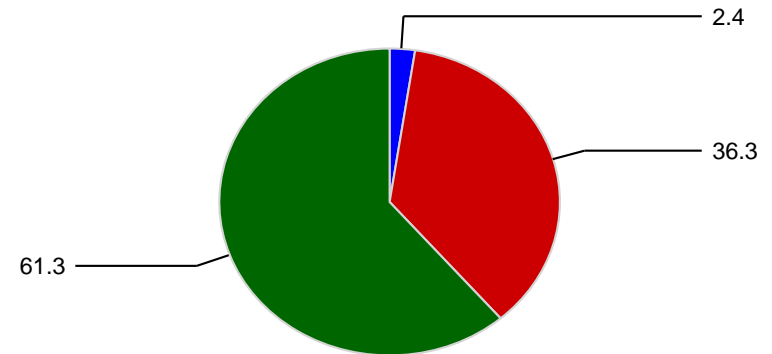
Reporting period: December 31, 2017 to June 30, 2018

EASTERN BANK INVEST MGR FOR SALEM STATE UNIV (2427524)

Performance Measured Since: December 01, 1996

Sector Allocation

	Market value	% of Mkt val
EQUITIES	8,836,922	61.3
FIXED INCOME	5,229,874	36.3
CASH AND EQUIVALENTS	340,502	2.4
Total	14,407,298	100.0



Top Holdings

	Classification	Unit cost	Total cost	Price	Market value	Accrual	% of Mkt val	Unrealized gain loss
DFA INTERNATIONAL SUSTAINABILI	MUTUAL FUND - INTERN	11.35	452,380.62	10.630	423,849.99	.00	3.0	-28,530.63
FEDERATED GOV'T OBLIGATION TAX	MONEY MARKET FUNDS	1.00	333,750.03	1.000	333,750.03	.00	2.3	.00
DOMINI IMPACT INTERNATIONAL	MUTUAL FUND - INTERN	9.24	334,258.89	8.490	307,293.16	.00	2.1	-26,965.73
CALVERT EMERGING MARKETS EQUIT	MUTUAL FUND - INTERN	18.04	339,370.65	15.940	299,841.39	.00	2.1	-39,529.26
I SHARES BARCLAYS 3-7 YR T	ETF - GOVERNMENT BON	119.60	296,853.65	120.000	297,840.00	.00	2.1	986.35
CALVERT SMALL CAP FUND	MUTUAL FUND - DOMEST	26.04	278,143.09	27.270	291,270.87	.00	2.0	13,127.78
I SHARES TIPS BOND ETF	ETF - GOVERNMENT BON	114.49	284,169.84	112.870	280,143.34	.00	2.0	-4,026.50
DFA U S SUSTAINABILITY CORE 1	MUTUAL FUND - DOMEST	21.86	272,331.00	21.780	271,334.37	.00	1.9	-996.63
CALVERT INTERNATIONAL	MUTUAL FUND - INTERN	13.46	195,810.95	18.280	266,008.00	.00	1.9	70,197.05
AMAZON.COM, INC	CONSUMER DISCRETIONA	842.55	126,382.65	1,699.800	254,970.00	.00	1.8	128,587.35
EBAY INC 3.8% 03/09/2022	CORPORATE BOND	103.00	257,500.00	100.962	252,405.00	2,955.56	1.8	-5,095.00
All Others			9,619,689.68		11,080,900.18	44,736.52	77.2	1,461,210.50
Total			12,790,641.05		14,359,606.33	47,692.08	100.0	1,568,965.28

Your Holdings Detail

Reporting period: December 31, 2017 to June 30, 2018

EASTERN BANK INVEST MGR FOR SALEM STATE UNIV (2427524)

Performance Measured Since: December 01, 1996

Holdings By Asset Class - YTD

ID	Ending Market Value	Average Market Value	Total Return	Average Weight	Total Earnings	Total Port Cont	Total Port Rank	Asset Class Cont	Asset Class Rank	Sector Cont	Sector Rank	
COMMON STOCK												
CONSUMER DISCRETIONARY												
Assets Held During Period												
AMAZON.COM, INC	023135106	254,970	178,791	45.51	1.2	81,375	.56	1	1.26	1	10.69	1
COMCAST CORP NEW CL A	20030N101	101,252	121,764	-17.27	.8	-21,023	-.15	115	-.32	60	-2.76	7
HOME DEPOT INC	437076102	145,350	145,013	4.03	.9	5,837	.04	30	.09	22	.77	3
NIKE INC. CL B	654106103	134,678	105,777	28.14	.7	29,769	.21	5	.46	5	3.91	2
ROYAL CARIBBEAN CRUISES, LTD.	V7780T103	89,925	101,143	-12.19	.7	-12,329	-.09	106	-.19	52	-1.62	6
Assets Purchased During Period												
MCDONALD'S CORP	580135101	94,954	77,870	.20	.5	187		53		31	.02	4
Assets Sold During Period												
STARBUCKS CORP	855244109	0	31,547	-1.30	.2	-1,229	-.01	69	-.02	38	-.16	5
Total: CONSUMER DISCRETIONARY		821,128	761,903	10.85	5.0	82,587	.57		1.28		10.85	
CONSUMER STAPLES												
Assets Held During Period												
CVS HEALTH CORPORATION	126650100	100,901	107,258	-9.31	.7	-9,988	-.07	103	-.15	49	-2.03	3
COSTCO WHOLESALE CORP, NEW	22160K105	123,507	112,840	12.44	.7	14,033	.10	10	.22	10	2.85	1
MONSTER BEVERAGE CORP	61174X109	109,099	118,900	-9.87	.8	-11,736	-.08	105	-.18	51	-2.38	4
PROCTER & GAMBLE CO	742718109	80,324	95,373	-13.57	.6	-12,946	-.09	107	-.20	53	-2.63	5
SYSCO CORP	871829107	108,103	95,593	13.74	.6	13,131	.09	12	.20	12	2.67	2
Total: CONSUMER STAPLES		521,934	529,964	-1.53	3.5	-7,506	-.05		-1.12		-1.53	
ENERGY												
Assets Sold During Period												
CHEVRON CORP	166764100	0	26,541	5.21	.2	8,290	.06	19	.13	18	-30.51	1
CONOCOPHILLIPS	20825C104	0	21,645	7.44	.1	9,663	.07	16	.15	15	-35.57	3
HALLIBURTON CO	406216101	0	23,612	6.50	.2	9,215	.06	17	.14	16	-33.92	2
Total: ENERGY		0	71,798		.5	27,168	.19		.42		-100.00	
FINANCIALS												
Assets Held During Period												
ALLSTATE CORP	020002101	108,150	124,150	-12.15	.8	-15,079	-.10	110	-.23	56	-1.79	10
BANK AMERICA CORP	060505104	176,892	150,018	-3.43	1.0	-5,141	-.04	91	-.08	43	-.61	7
BLACKROCK INC.	09247X101	114,280	69,735	-1.58	.5	-1,099	-.01	65	-.02	37	-.13	6
J P MORGAN CHASE & CO	46625H100	181,933	80,961	-1.29	.5	-1,043	-.01	64	-.02	36	-.12	5
MORGAN STANLEY	617446448	113,618	112,459	-8.49	.7	-9,550	-.07	102	-.15	48	-1.13	9

Your Holdings Detail

Reporting period: December 31, 2017 to June 30, 2018

EASTERN BANK INVEST MGR FOR SALEM STATE UNIV (2427524)

Performance Measured Since: December 01, 1996

Holdings By Asset Class - YTD

	ID	Ending Market Value	Average Market Value	Total Return	Average Weight	Total Earnings	Total Port Cont	Total Port Rank	Asset Class Cont	Asset Class Rank	Sector Cont	Sector Rank
CHARLES SCHWAB	808513105	120,698	137,818	-.62	.9	-853	-.01	62	-.01	35	-.10	4
Assets Purchased During Period												
PNC BANK CORP	693475105	86,464	95,698	-9.67	.6	-9,251	-.06	101	-.14	47	-1.10	8
Assets Sold During Period												
WELLS FARGO & CO	949746101	0	25,683	3.92	.2	6,044	.04	27	.09	20	.72	1
Assets Purchased And Sold During Period												
PRUDENTIAL FINANCIAL	744320102	0	0	.00	.0	0		55		33		2
TRIAD GUARANTY INC.	895925105	0	0	.00	.0	0		56		34		3
Total: FINANCIALS		902,035	796,521	-4.26	5.2	-35,972	-.25		-.56		-4.26	
HEALTH CARE												
Assets Held During Period												
BECTON DICKINSON CO	075887109	141,820	127,152	12.68	.8	16,124	.11	9	.25	9	1.94	1
DANAHER CORP	235851102	112,381	107,512	6.84	.7	7,358	.05	21	.11	19	.88	4
JOHNSON & JOHNSON	478160104	123,888	142,149	-11.65	.9	-16,564	-.11	112	-.26	57	-1.99	8
MERCK & CO INC. NEW	58933Y105	129,029	122,079	9.97	.8	12,176	.08	15	.19	14	1.46	3
Assets Purchased During Period												
ABBOTT LABORATORIES INC	002824100	124,298	104,402	.48	.7	602		48	.01	29	.07	6
ABBVIE INC	00287Y109	94,503	76,655	-17.27	.5	-19,860	-.14	113	-.31	58	-2.39	9
UNITEDHEALTH GROUP, INC.	91324P102	136,900	124,280	10.41	.8	12,934	.09	14	.20	13	1.55	2
Assets Sold During Period												
BRISTOL MYERS SQUIBB CO.	110122108	0	44,754	.99	.3	1,324	.01	41	.02	27	.16	5
CELGENE CORPORATION	151020104	0	68,046	-14.80	.4	-20,142	-.14	114	-.31	59	-2.42	10
HOLOGIC	436440101	0	51,566	-10.46	.3	-10,789	-.07	104	-.17	50	-1.30	7
Total: HEALTH CARE		862,818	968,594	-2.02	6.3	-16,837	-.12		-.26		-2.02	
INDUSTRIALS												
Assets Held During Period												
CATERPILLAR INC.	149123101	96,461	108,301	-12.36	.7	-13,390	-.09	108	-.21	54	-2.06	6
FEDEX CORPORATION	31428X106	110,667	113,232	-7.55	.7	-8,549	-.06	98	-.13	45	-1.31	5
NORTHROP GRUMMAN	666807102	112,618	131,950	.77	.9	1,017	.01	43	.02	28	.16	2
EATON CORP PLC	G29183103	94,770	91,854	-3.50	.6	-3,219	-.02	78	-.05	40	-.50	4
Assets Purchased During Period												
3M CO	88579Y101	102,294	125,173	-17.46	.8	-21,858	-.15	116	-.34	61	-3.36	8
UNITED TECHNOLOGIES CORP	913017109	91,522	30,464	.14	.2	128		54		32	.02	3
Assets Sold During Period												
HONEYWELL INT'L INC.	438516106	0	23,004	2.09	.2	2,885	.02	38	.04	26	.44	1
MASCO CORP	574599106	0	81,680	-14.59	.5	-14,299	-.10	109	-.22	55	-2.20	7
Total: INDUSTRIALS		608,333	705,660	-8.81	4.6	-57,285	-.40		-.88		-8.81	

Your Holdings Detail

Reporting period: December 31, 2017 to June 30, 2018

EASTERN BANK INVEST MGR FOR SALEM STATE UNIV (2427524)

Performance Measured Since: December 01, 1996

Holdings By Asset Class - YTD

	ID	Ending Market Value	Average Market Value	Total Return	Average Weight	Total Earnings	Total Port Cont	Total Port Rank	Asset Class Cont	Asset Class Rank	Sector Cont	Sector Rank
INFORMATION TECHNOLOGY												
Assets Held During Period												
ADOBE SYSTEMS INC.	00724F101	166,766	121,402	39.73	.8	48,229	.33	3	.74	3	3.27	2
ALPHABET, INC. CL C	02079K107	68,055	66,390	6.82	.4	4,530	.03	35	.07	24	.31	10
ALPHABET, INC. CL A	02079K305	185,187	179,902	7.39	1.2	13,297	.09	11	.21	11	.90	7
ANALOG DEVICES	032654105	103,881	97,054	8.81	.6	8,550	.06	18	.13	17	.58	8
APPLE	037833100	237,866	217,647	10.35	1.4	22,524	.16	8	.35	8	1.53	6
FACEBOOK CL A	30303M102	237,653	233,716	11.21	1.5	26,200	.18	6	.40	6	1.78	4
SALESFORCE.COM	79466L302	193,279	145,274	33.85	1.0	49,174	.34	2	.76	2	3.33	1
VISA, INC	92826C839	168,344	147,343	16.74	1.0	24,667	.17	7	.38	7	1.67	5
Assets Purchased During Period												
BROADCOM INC	11135F101	98,027	47,872	3.12	.3	2,990	.02	37	.05	25	.20	11
COGNIZANT TECHNOLOGY SOL	192446102	94,867	65,122	-2.06	.4	-2,012	-.01	72	-.03	39	-.14	13
INTUIT	461202103	164,874	131,794	25.24	.9	33,263	.23	4	.51	4	2.26	3
Assets Sold During Period												
PAYPAL HLDGS INC	70450Y103	0	81,816	3.16	.5	5,168	.04	33	.08	23	.35	9
Assets Purchased And Sold During Period												
BROADCOM, LTD.	Y09827109	0	31,720	.62	.2	586		49	.01	30	.04	12
Total: INFORMATION TECHNOLOGY		1,718,799	1,567,052	16.08	10.3	237,166	1.64		3.66		16.08	
MATERIALS												
Assets Held During Period												
DOWDUPONT INC.	26078J100	116,744	124,470	-6.18	.8	-7,696	-.05	97	-.12	44	-3.64	1
P P G INDUSTRIES	693506107	77,071	86,400	-10.36	.6	-8,954	-.06	100	-.14	46	-4.24	2
Total: MATERIALS		193,816	210,869	-7.88	1.4	-16,650	-.12		-.26		-7.88	
TELECOMMUNICATION SERVICES												
Assets Held During Period												
VERIZON COMMUNICATIONS INC	92343V104	156,213	173,478	-2.63	1.1	-4,570	-.03	88	-.07	42	-2.63	1
Total: TELECOMMUNICATION SERVICES		156,213	173,478	-2.63	1.1	-4,570	-.03		-.07		-2.63	
UTILITIES												
Assets Held During Period												
NEXTERA ENERGY INC	65339F101	74,328	69,127	8.47	.5	5,854	.04	29	.09	21	3.11	1
XCEL ENERGY, INC.	98389B100	111,880	115,758	-3.40	.8	-3,934	-.03	86	-.06	41	-2.09	2
Total: UTILITIES		186,208	184,885	1.02	1.2	1,920	.01		.03		1.02	

Your Holdings Detail

Reporting period: December 31, 2017 to June 30, 2018

EASTERN BANK INVEST MGR FOR SALEM STATE UNIV (2427524)

Performance Measured Since: December 01, 1996

Holdings By Asset Class - YTD

	ID	Ending Market Value	Average Market Value	Total Return	Average Weight	Total Earnings	Total Port Cont	Total Port Rank	Asset Class Cont	Asset Class Rank	Sector Cont	Sector Rank	
Total: COMMON STOCK		5,971,284	5,970,724	3.24	39.1	210,021	1.46		3.24				
DOMESTIC EQUITY FUNDS													
ETF - DOMESTIC EQUITY													
Assets Held During Period													
	SPDR FINANCIAL INDEX	81369Y605	165,603	166,535	-3.81	1.1	-6,339	-.04	94	-.36	12	3.00	2
	SPDR INDUSTRIAL SELECT	81369Y704	163,675	166,763	-4.35	1.1	-7,248	-.05	95	-.42	13	3.43	1
Assets Sold During Period													
	SPDR S&P 500 ETF TRUST	78462F103	0	31,178	3.25	.2	6,081	.04	26	.35	5	-2.88	3
	SPDR HEALTH CARE SELECT SPDR ETF	81369Y209	0	30,881	3.45	.2	6,395	.04	23	.37	3	-3.03	5
	SPDR TECHNOLOGY IDX	81369Y803	0	34,192	3.05	.2	6,263	.04	25	.36	4	-2.97	4
Total: ETF - DOMESTIC EQUITY		329,277	429,549	-2.44	2.8	5,152	.04		.30		-2.44		
ETF - DOMESTIC EQUITY													
Assets Sold During Period													
	I SHARES RUSSELL MIDCAP GROWTH	464287481	0	48,175	2.84	.3	8,211	.06	20	.47	2	-72.63	2
	I SHARES RUSSELL 2000 VALUE INDEX FUND	464287630	0	42,105	1.22	.3	3,094	.02	36	.18	7	-27.37	1
Total: ETF - DOMESTIC EQUITY		0	90,281		.6	11,305	.08		.65		-100.00		
MUTUAL FUND - DOMESTIC EQUITY													
Assets Purchased During Period													
	DFA U S SUSTAINABILITY CORE 1	233203215	271,334	90,642	-.04	.6	-111		58	-.01	9		1
Total: MUTUAL FUND - DOMESTIC EQUITY		271,334	90,642		.6	-111			-.01				
MUTUAL FUND - DOMESTIC EQUITY													
Assets Purchased During Period													
	CALVERT SMALL CAP FUND	13161P862	291,271	278,143	4.72	1.8	13,128	.09	13	.75	1	4.72	1
Total: MUTUAL FUND - DOMESTIC EQUITY		291,271	278,143	4.72	1.8	13,128	.09		.75		4.72		
ETF - DOMESTIC EQUITY													
Assets Purchased During Period													
	INVESCO BUYBACK WILDERHILL CLEANENERGY ETF	46137V134	178,268	30,509	-1.94	.2	-3,547	-.02	81	-.20	11	-.97	4
	INVESCO EX SOLAR ETF	46138G706	162,947	27,312	-.56	.2	-917	-.01	63	-.05	10	-.25	3
Assets Purchased And Sold During Period													
	GUGGENHEIM SOLAR ETF	18383Q739	0	152,714	2.85	1.0	5,220	.04	31	.30	6	1.43	1
	POWERSHARES WILDERHILL CLEAN ENERGY	73935X112	0	178,388	.18	1.2	316		51	.02	8	.09	2
	POWERSHARES SOLAR PORTFOLIO	73936Q520	0	62,828	-13.06	.4	-24,618	-.17	118	-1.41	16	-6.72	5
Total: ETF - DOMESTIC EQUITY		341,215	451,750	-6.43	3.0	-23,546	-.16		-1.35		-6.43		

Your Holdings Detail

Reporting period: December 31, 2017 to June 30, 2018

EASTERN BANK INVEST MGR FOR SALEM STATE UNIV (2427524)

Performance Measured Since: December 01, 1996

Holdings By Asset Class - YTD

	ID	Ending Market Value	Average Market Value	Total Return	Average Weight	Total Earnings	Total Port Cont	Total Port Rank	Asset Class Cont	Asset Class Rank	Sector Cont	Sector Rank	
MUTUAL FUND - DOMESTIC EQUITY													
Assets Purchased During Period													
	CALVERT GLOBAL WATER FUND	13161P698	172,224	181,010	-4.85	1.2	-8,784	-.06	99	-.50	14	-2.44	1
	CALVERT GLOBAL ENERGY SOLUTIONS	13161P813	163,325	179,549	-9.03	1.2	-16,220	-.11	111	-.93	15	-4.50	2
Total:	MUTUAL FUND - DOMESTIC EQUITY		335,549	360,558	-6.93	2.4	-25,003	-.17		-1.44		-6.93	
Total:	DOMESTIC EQUITY FUNDS		1,568,646	1,700,923	-1.10	11.1	-19,076	-.13		-1.10			
INTERNATIONAL EQUITY													
ETF - INTERNATIONAL EQUITIES													
Assets Sold During Period													
	I SHARES EMU INDEX FUND	464286608	0	32,593	3.21	.2	6,284	.04	24	.38	2	-54.65	2
	WISDOM TREE EUROPE HEDGED EQUITY	97717X701	0	29,168	2.98	.2	5,215	.04	32	.32	4	-45.35	1
Total:	ETF - INTERNATIONAL EQUITIES		0	61,762		.4	11,499	.08		.70		-100.00	
MUTUAL FUND - INTERNATIONAL EQUITIES													
Assets Held During Period													
	CALVERT INTERNATIONAL OPPORTUNIT	131649857	266,008	197,909	.63	1.3	1,245	.01	42	.08	6	.09	1
Assets Purchased During Period													
	DFA INTERNATIONAL SUSTAINABILITYCORE	233203199	423,850	452,370	-5.10	3.0	-23,080	-.16	117	-1.40	7	-1.68	2
	DOMINI IMPACT INTERNATIONAL EQUITY FUN	257132811	307,293	415,132	-7.60	2.7	-31,566	-.22	119	-1.91	8	-2.30	3
Total:	MUTUAL FUND - INTERNATIONAL EQUITIES		997,151	1,065,411	-3.88	7.0	-53,401	-.37		-3.23		-3.88	
ETF - INTERNATIONAL EQUITIES													
Assets Sold During Period													
	I SHARES MSCI RUSSIA ETF	46434G798	0	12,738	7.79	.1	5,957	.04	28	.36	3	-32.84	2
	SPDR MSCI ACWI EX-US ETF	78463X848	0	31,766	2.70	.2	5,145	.04	34	.31	5	-28.36	1
	VANGUARD EMERGING MARKETS ETF	922042858	0	32,565	3.60	.2	7,039	.05	22	.43	1	-38.80	3
Total:	ETF - INTERNATIONAL EQUITIES		0	77,069		.5	18,141	.13		1.10		-100.00	
MUTUAL FUND - INTERNATIONAL EQUITIES													
Assets Purchased During Period													
	CALVERT EMERGING MARKETS EQUITY FUND	131649774	299,841	407,449	-11.73	2.7	-47,812	-.33	120	-2.90	9	-11.73	1
Total:	MUTUAL FUND - INTERNATIONAL EQUITIES		299,841	407,449	-11.73	2.7	-47,812	-.33		-2.90		-11.73	
Total:	INTERNATIONAL EQUITY		1,296,993	1,611,691	-4.33	10.5	-71,572	-.50		-4.33			

Your Holdings Detail

Reporting period: December 31, 2017 to June 30, 2018

EASTERN BANK INVEST MGR FOR SALEM STATE UNIV (2427524)

Performance Measured Since: December 01, 1996

Holdings By Asset Class - YTD

ID	Ending Market Value	Average Market Value	Total Return	Average Weight	Total Earnings	Total Port Cont	Total Port Rank	Asset Class Cont	Asset Class Rank	Sector Cont	Sector Rank	
TAXABLE FIXED INCOME												
CORPORATE BOND												
Assets Held During Period												
ACE INA HOLDINGS 2.7% 03/13/2023	00440EAP2	97,608	100,176	-1.19	.7	-1,195	-.01	68	-.02	13	-.03	8
AMERIPRISE FINANCIAL INC 4% 10/15/2023	03076CAF3	180,468	188,605	-1.98	1.2	-3,743	-.03	84	-.08	25	-.10	19
AUTODESK, INC. 3.125% 06/15/2020	052769AC0	199,730	202,176	.33	1.3	669		46	.01	4	.02	2
BANK OF AMERICA CORP 3.3% 01/11/2023	06051GEU9	100,091	103,037	-2.05	.7	-2,117	-.01	74	-.04	17	-.06	12
CBS 3.7% 08/15/2024	124857AM5	147,999	155,530	-3.65	1.0	-5,670	-.04	92	-.12	30	-.15	24
CSX CORPORATION 3.4% 08/01/2024	126408HB2	174,432	182,181	-2.71	1.2	-4,928	-.03	90	-.10	29	-.13	23
CVS 3.5% 07/20/2022	126650CK4	201,369	206,244	-.96	1.3	-1,982	-.01	70	-.04	14	-.05	9
CARDINAL HEALTH, INC. 3.2% 03/15/2023	14149YAY4	146,765	150,356	-1.60	1.0	-2,405	-.02	75	-.05	18	-.06	13
CELGENE CORPORATION 4% 08/15/2023	151020AJ3	204,720	212,475	-2.22	1.4	-4,718	-.03	89	-.10	28	-.12	22
CITIGROUP 3.375% 03/01/2023	172967GL9	149,346	154,269	-1.30	1.0	-2,000	-.01	71	-.04	15	-.05	10
DEUTSCHE BANK AG LONDON 2.5% 02/13/2019	25152RVS9	125,330	124,687	.60	.8	746	.01	45	.02	3	.02	1
E M C CORP 2.65% 06/01/2020	268648AQ5	146,002	148,335	-.30	1.0	-441		59	-.01	8	-.01	4
FORD MOTOR CREDIT CO 4.25% 09/20/2022	345397WF6	203,997	212,839	-1.81	1.4	-3,856	-.03	85	-.08	26	-.10	20
HYATT HOTELS CORP 3.375% 07/15/2023	448579AE2	124,974	129,105	-2.01	.8	-2,591	-.02	76	-.05	19	-.07	14
MONSANTO CO 2.75% 07/15/2021	61166WAT8	197,566	201,787	-1.54	1.3	-3,116	-.02	77	-.06	20	-.08	15
TIME WARNER INC 3.4% 06/15/2022	887317AQ8	123,401	127,622	-1.65	.8	-2,111	-.01	73	-.04	16	-.06	11
VODAFONE GROUP 2.95% 02/19/2023	92857WBC3	146,359	151,713	-2.42	1.0	-3,666	-.03	83	-.08	24	-.10	18
WELLS FARGO & CO 2.15% 01/15/2019	94974BFQ8	100,659	100,138	.58	.7	582		50	.01	6	.02	3
WELLS FARGO & CO 3% 01/22/2021	94974BFR6	100,670	102,510	-.57	.7	-580		61	-.01	10	-.02	6
WHIRLPOOL CORP. 4% 03/01/2024	963320AR7	204,565	211,550	-2.01	1.4	-4,242	-.03	87	-.09	27	-.11	21
XILINX, INC. 3% 03/15/2021	983919AH4	200,001	206,605	-.24	1.4	-488		60	-.01	9	-.01	5
Assets Purchased During Period												
A T & T INC 3.6% 02/17/2023	00206RCS9	224,687	229,690	-1.54	1.5	-3,537	-.02	80	-.07	22	-.09	17
EBAY INC 3.8% 03/09/2022	278642AN3	255,361	263,597	-.42	1.7	-1,110	-.01	66	-.02	11	-.03	7
HEWLETT-PACKARD CO 4.05% 09/15/2022	428236BX0	254,904	257,254	-1.30	1.7	-3,338	-.02	79	-.07	21	-.09	16
Total: CORPORATE BOND		4,011,004	4,122,480	-1.48	27.0	-55,837	-.39		-1.15		-1.48	
ETF - GOVERNMENT BONDS												
Assets Held During Period												
I SHARES TIPS BOND ETF	464287176	280,143	465,576	-.04	3.0	206		52		7	.05	2
Assets Purchased During Period												
I SHARES BARCLAYS 3-7 YR T	464288661	297,840	49,471	.33	.3	986	.01	44	.02	2	.22	1
Assets Sold During Period												

Your Holdings Detail

Reporting period: December 31, 2017 to June 30, 2018

EASTERN BANK INVEST MGR FOR SALEM STATE UNIV (2427524)

Performance Measured Since: December 01, 1996

Holdings By Asset Class - YTD

	ID	Ending Market Value	Average Market Value	Total Return	Average Weight	Total Earnings	Total Port Cont	Total Port Rank	Asset Class Cont	Asset Class Rank	Sector Cont	Sector Rank
I SHARES BARCLAYS 7-10 YR TREAS	464287440	0	234,051	-3.25	1.5	-7,599	-.05	96	-.16	32	-1.72	3
Total: ETF - GOVERNMENT BONDS		577,983	749,097	-1.45	4.9	-6,406	-.04		-.13		-1.45	
ETF - CORPORATE BONDS												
Assets Held During Period												
ISHARES FLOATING RATE BOND ETF	46429B655	195,381	188,097	1.16	1.2	2,180	.02	40	.04	1	1.20	1
Assets Purchased And Sold During Period												
I SHARES I BOXX INVESTMENT GRADECORPORATE	464287242	0	40,955	-.45	.3	-1,112	-.01	67	-.02	12	-.61	2
Total: ETF - CORPORATE BONDS		195,381	229,052	.59	1.5	1,068	.01		.02		.59	
MUTUAL FUND - CORPORATE BONDS												
Assets Held During Period												
CALVERT INCOME FUND	131582793	246,533	209,501	-2.81	1.4	-5,889	-.04	93	-.12	31	-1.34	3
Assets Purchased During Period												
PAX WORLD HIGH YIELD BOND-I	704223809	198,973	206,308	-1.74	1.4	-3,592	-.02	82	-.07	23	-.82	2
Assets Sold During Period												
SHENKMAN SHORT DURATION HIGH INCOME FUN	00770X709	0	27,414	.40	.2	658		47	.01	5	.15	1
Total: MUTUAL FUND - CORPORATE BONDS		445,506	443,223	-2.01	2.9	-8,823	-.06		-.18		-2.01	
Total: TAXABLE FIXED INCOME		5,229,874	5,543,852	-1.44	36.3	-69,998	-.49		-1.44			
CASH AND EQUIVALENTS												
CASH UNINVESTED												
Assets Held During Period												
		6,752	0	.00	.0	0		57		2		1
Total: CASH UNINVESTED		6,752	0	.00	.0	0						
MONEY MARKET FUNDS												
Assets Held During Period												
FEDERATED GOV'T OBLIGATION TAX MANAGED FU	60934N849	333,750	452,911	.57	3.0	2,591	.02	39	.57	1	.57	1
Total: MONEY MARKET FUNDS		333,750	452,911	.57	3.0	2,591	.02		.57		.57	
Total: CASH AND EQUIVALENTS		340,502	452,911	.57	3.0	2,591	.02		.57			
Total		14,407,298	15,280,100	.36	100.0	51,965	.36					

Investment Commentary

*You hold the key to greed¹ and fear,
It's in your trembling hand.
Just one key unlocks them both,
It's all at your command.*

The Youngbloods understood back in 1970 that investing was no different from other human activities; harnessing one's emotions is the "key" to satisfaction and success. The need to master the basic drives of human nature was abundantly in evidence in the stock market in July.

The market had its second-best month of the year, but for many investors it was quite painful as stocks like Facebook and Twitter fell more than 20% after bad earnings reports. Despite these stumbles, the market closed July just below its all-time high.

Many of our clients own Facebook in their portfolios, and indeed hold allocations larger than the stock's S&P 500 index weighting. Yet they still matched the market's overall strength in July, and at month's end still had sizable unrealized long-term gains in their Facebook positions.

¹ The word is "love" in the original lyric, but in this context "greed" is a more accurate emotion.

The cornerstone to our clients' success in July – and consistently over the years – has been our patient approach, trading only infrequently and seeking to "get together" a broadly diversified portfolio of high-quality stocks when other investors shunned them. Even the FANGs were quite cheap as recently as late 2016, when most investors were still chasing high-dividend stocks.

After nearly two years of market leadership, however, the FANGs (Facebook, Amazon, Netflix, and Google parent Alphabet) may be running out of gas; certainly Facebook's torpedo forced investors to confront that question. Should their "trembling hands" rotate away from greed (and growth stocks) and toward fear (and defensive stocks)?

Valuations in the FANG / growth group are still richer than those in the RUST bucket (defensive sectors like real estate, utilities, staples, and telecom). But valuation is never sufficient to turn a market; a catalyst is needed, and for now we can't find any; the economy is solid and the burden remains on the bears. That may change based on new tariffs, interest rate surprises, or other catalysts; if it does, we'll be prepared to turn the key appropriately.

Michael A. Tyler, CFA
Chief Investment Officer

Notes and Disclosures

Eastern Bank Wealth Management (EBWM) is a division of Eastern Bank. Views expressed are our current opinions as of the date appearing on this material only; all opinions herein are subject to change without notice based on market conditions and other factors. These views should not be construed as a recommendation for any specific security or sector. This material is for your private information and we are not soliciting any action based on it.

The information in this report has been obtained from sources believed to be reliable but its accuracy is not guaranteed. There is neither representation nor warranty as to the accuracy of, nor liability for the decisions based on such information.

Performance data contained herein is prepared for Eastern Bank Wealth Management by First Rate Inc.; such data is provided without warranty and data providers shall have no liability of any kind for decisions based on this information. First Rate incorporates CFA Institute GIPS® standards into its calculation methodology.

Past performance does not guarantee future performance.

Investment Products: Not insured by FDIC or any federal government agency. Not deposits of or guaranteed by any bank. May lose value.

Summer conferences and hospitality initiative

Below is summary information about the summer conferences initiative that we began in summer 2018, with our partner Capstone On Campus Management (COCM). This was an initiative to grow non-enrollment driven revenue streams in support of the strategic plan for the university (financial vitality goal.) The figures shown do not include totals for previous recurring summer business such as Orientation, Summer Bridge Academy, and Admissions High School Program under the auspices of residence life department and thus, represent new business we achieved this summer. With the infrastructure, relationships, and marketing now in place we expect to grow the net revenues further for summer 2019 and beyond.

Summer 2018 – COCM @ SSU

Total Income	\$340,938	Total Bed Nights	5,667
Start-Up Expenses	\$ 77,032	Total Residential Participants	309
Operating Expenses	\$153,260	Total One-Day Participants	450+
Net Income	\$110,646		

All \$ figures are not final / audited

Successes

- Buy-in from campus
- Food Service collaboration
- Community relations
- Group feedback

Challenges

- Delayed start
- Anticipated 1st year start-up
- Internal process creation
- Communication

Future (2019)

- Returning groups
- 6 new inquiries (2000 bed nights)
- Potential summer oversight expansion
- 410 Lafayette

FY18 annual consultant expenditures report

Attached is a list of consultant expenses for FY18. The university provides this information annually per a prior request.

**Consultant Service Expenses FY18
Account Codes 6H19 and 6H98 Only**

Description	Expenses	Category	Amt Vendor Name
Special Projects			
Athletic Director Search	23,961		Spelman & Johnson
Athletic Training Consultant	2,500		Jeffrey Konan
Youth at Risk Consultant	1,500		Hailey MacDonald
Research and Support in Conducting a Downtown College Town Assessment	25,000		Education Alliance
Assess SSU Copy Center and Marketing integration of Smartsheet	4,140		SmartSheet
Travel Expenses Marketing Communication Plan	1,238		Stamats
			58,340
Information Technology Consultations/Projects			
Service Management Process review	16,575		JPC Group
			16,575
Academic Affairs			
Consulting for Graduate Curriculum	2,500		Terrance Gregory
Consulting for Communications	1,000		Joshua Adams
Consulting for Preparation for Nursing Board Registration	350		Karen Manning
School of Social Work Re-Accreditation	8,500		Cynthia P King
			12,350
Enrollment Management			
Advanced Financial Aid Solutions	49,500		Ruffalo Noel Levitz
			49,500
Human Resources			
EAP Services 7/1/16-6/30/17	10,165		AllOne Health Resources Inc
Campus Wide Climate Study	14,965		Rankin & Associate Consulting
			25,130
Public Relations			
SSU Communication Audit Project	12,146		Jackson Jackson & Wagner
Strategic Public Relations and Crisis Management Counsel	7,637		Polaris Public Relations
			19,783
Total			181,678

FY19 Budget Status

When the Board of Trustees approved Salem State's FY19 budget there were a number of uncertainties as described in the document. This will provide an update as of August 30. The Commonwealth's FY19 budget has been completed. General Appropriations Act (GAA) funding was higher than expected for the state universities to partially address prior collective bargaining expenses that had not been funded by the Commonwealth at the time. Thus, Salem State's \$46.0 million GAA funding for FY19 is \$700 thousand higher than the assumption carried in the original budget. Proposed tuition and fee rates incorporated in the budget were approved as submitted. Although not yet final, enrollment figures for the fall semester are up slightly as compared to the budget. However, on-campus student housing occupancy is currently approximately 100 students short of budget at the start of the semester.

On the managed expense side, expenses will be higher than the approved budget for FY19. This is due primarily to collective bargaining agreements that were not fully settled, ratified, approved, and funded by the Commonwealth in time to process retroactive pay increases for union employees for FY18 and reflect them in FY18. When paid, those retroactive expenses will be recorded in FY19 although they had been budgeted in FY18. The Commonwealth has not yet acted to cover any of the costs of the new collective bargaining agreements therefore the final appropriations figure for FY19 remains in flux.

The higher education bond bill released after the university's budget was prepared designates \$8.2 million over five years to Salem State for critical repairs (formerly called "deferred maintenance.") This had not been budgeted by the campus. Over the period, the university is required to provide \$4.8 million in matching funds (37%). The original FY19 budget included no assumption about funding for the Science Teaching Lab Addition (STLA), as the university's application was pending a decision by the Commonwealth. During the summer, Salem State's STLA proposal was named a Readiness Determination Project. An allocation was made to DCAMM for \$4.8 million for five such projects, to conduct studies to clarify complexities of scope, timing, and financing of projects at two of the universities and three community colleges.

Real Estate, Facilities and Sustainability August 28, 2018

We are constantly assessing our use of real estate and facilities to ensure we are optimizing them, and achieving cost savings where possible. Below is a brief update of some of the key items we are working on.

DCAMM Funding and Five Year Plan

Division of Capital Asset Management and Maintenance (DCAMM) is implementing a new five-year capital improvement plan. Salem State University (SSU) will receive a total of \$8.2 million to be used on critical repairs (previously called deferred maintenance) projects over the next five years. This funding requires that the institution provide a \$4.2 million match over the five-year period. Additionally, DCAMM will no longer fund emergencies; it is now SSU's responsibility to address emergencies through reallocation.

We have developed a five-year plan that address key deficiencies identified in the Sightlines assessment completed last year placing emphasis on building envelopes and mechanical systems critical to providing continuous operation. This plan is currently under review by DCAMM.

Science Teaching Laboratory Addition (STLA) Status and Next Steps

Salem State's proposed Science Teaching Laboratory Addition was not funded, but named by the state as a Readiness Determination Project. Describing the proposals put into this category, Massachusetts Secretary of Education James Peyser noted, "While they were not selected to move forward as New Major Projects in the FY19 capital plan, these proposals did warrant the creation of a new category of capital investment to further explore large and complex undertakings. These projects typically involve multiple inter-related elements, which cannot be easily considered as a single stand-alone project without additional analysis and collaborative planning on the part of the campus and DCAMM."

In the months ahead, we will work internally and with DCAMM's project manager to select a team to further assess areas such as the scope, phases and funding strategy of the Science Teaching Laboratories. Science teaching laboratories remain a top priority, as this space is critical to achieving our strategic goals.

Future Residence Hall Maintenance Projects

Bowditch and Peabody: Both buildings have systematic failures with the bathroom plumbing and waterproofing systems which requires a complete renovation, likely during summer 2019. The initial estimate for this work is \$8-9 million. MSCBA can contribute almost half from reserves, but approximately \$5 million will be the responsibility of SSU. **The university's share would come from a bond to be issued by MSCBA and charged to the university through annual operating expense.** This \$400,000 annual expense would be funded by increases in housing rates and revenue.

Bates Complex: All 15 buildings are in need of renovation. There are systematic failures with the bathroom and kitchen infrastructure. We are working with MSCBA to explore the following options:

Real Estate, Facilities and Sustainability August 28, 2018

- 5 year plan - The minimal amount of investment required to keep the buildings operational until a replacement facility can be constructed near north or central campus.
- 10 year plan - The minimal amount of investment required to keep the buildings operational for up to 10 years until a replacement facility can be constructed near north or central campus.
- 15+ year plan - Investment required to remain on south campus and keep the buildings operational for 15 or more years.

Salem Diner Update

Background

In August 2013, the SSU Foundation loaned \$600,000 to SSUAC to acquire the Salem Diner as memorialized by two promissory notes; Promissory Note A for \$200,000 was completely paid off as expected as of August 2016 and Promissory Note B for \$400,000 remained in force. The university was responsible for paying the loan, which payments constitute "base rent," from the university under the terms of an August 2013 lease agreement between the SSUAC and SSU. Under the terms of the note, the interest rate was due to reset on August 22, 2018. Based on current economic conditions, the interest rate would increase to approximately 8%. The principal balance at the end of June 2018 was approximately \$207,000.

Decision Implemented

After discussions with the SSU Foundation and SSU Assistance Corporation and concurrence of President Keenan, a decision was made to pay off the remaining balance of Promissory Note B in July 2018 before the interest rate reset would occur. During FY18, the university benefitted from investment returns larger than budgeted and the university believed it could responsibly put cash into paying off the loan. This eliminated about \$48,000 in annual costs off the university's budget for each of the next five years, avoided approximately \$40,000 in interest expense, and simplified its lease position a bit, prior to implementation of the upcoming GASB lease accounting change.

Sustainability update

The Sophia Gordon Center for Creative and Performing Arts project has been awarded LEED Gold Certification.

The entire team contributed to a positive, integrated design process and a collaborative commitment to sustainability and LEED Certification. The renovated building was awarded a total of 68 points. A few highlights and statistics include:

- The project demonstrates a 28% energy cost reduction, exceeding the minimum 20% energy cost reduction required by Mass LEED Plus, and achieves a 32% reduction in energy consumption compared to a baseline building. Additionally, the total energy use intensity is 40 kBtu/sf as compared to a baseline building EUI of 60 kBtu/sf.
- More than 75% of the existing building structures (walls, floors, roof) were reused.
- The existing brick envelope was improved with insulation and a new curtain wall system with an exterior fixed shading system over new thermally-broken insulated glazing units (IGU) to frame the new theater entrance.

Real Estate, Facilities and Sustainability

August 28, 2018

- The existing project site area was redesigned to accommodate building accessibility and improve public entry, including constructed wood seating areas to activate the landscape.
- Adaptive and native vegetation plantings eliminates a need for irrigation and keeps site maintenance minimal.
- Ultra-low flow plumbing fixtures and controls (incl. metering faucets) minimize water consumption and demonstrates a potable water reduction of 40% below EPA 2003 standards.
- During construction, the team procured a total of 24% recycled and 10% regionally-sourced materials, based on cost.

Of the LEED points, the final review awarded the following:

- 20 of 26 Sustainable Sites points (+ 3 Regional Priority points)
- 8 of 10 Water Efficiency points
- 17 of 35 Energy & Atmosphere points (of which 11 are attributed to building energy performance alone)
- 8 of 14 Materials & Resources points (+ 1 Regional Priority point for building reuse)
- 12 of 15 Indoor Environmental Quality points
- 3 of 6 Innovation in Design points

Capital Projects Status Update

CONSTRUCTION – COMPLETED

Sullivan Building roof improvement - Completed: 8/18

Construction budget: \$550,000 (\$272,193 DCAMM funds) - actual \$332,220

- Insulating the roof structure to prevent ice damming and water infiltration

Bowditch roof replacement - Completed: 8/18

Construction budget: \$498,000 (MSCBA funds and project administration)

- Replacement of the roof membrane and flashing

CONSTRUCTION – CURRENT

Meier Hall roof replacement - Phase 1 - Anticipated completion: Fall 2018

Construction budget: \$1,892,875 (\$753,344 DCAMM funds)

- Replacement of half of the Meier Hall roof
- Currently out to bid

Berry Library perimeter heating upgrade - Anticipated completion: 12/18

Construction budget: \$232,000 (\$232,000 DCAMM funds)

- Installation of additional perimeter radiation to address heating issues
- Currently out to bid

**Real Estate, Facilities and Sustainability
August 28, 2018**

PROJECTS IN PLANNING/STUDIES

Administration Building roof replacement study - Anticipated completion: Fall 18

Project budget: \$26,200

- DCAMM certified study for roofing replacement

Sullivan Basement structural repairs - Anticipated completion: Summer 19

Project budget: \$500,000

- Demolition of former coalbunker in parking lot
- Currently in design

Meier Hall roof replacement bid documents, phase 2 - Anticipated completion: 2/19

Budget: \$90,000

- Bid documents for phase 2 roof replacement for Meier Hall

The Sophia Gordon Center HVAC review - Anticipated completion 2/19

Budget: \$50,000

- Peer review for HVAC system to investigate humidity issues

Berry Library study and repair of HVAC equipment - Anticipated completion 2/19

Budget: \$200,000

- Study and repair of heat pump system which is failing

O'Keefe facility condition assessment and master plan - Anticipated completion:
Spring/19

Budget: \$30,000

Peabody and Bowditch bathroom renovation - Anticipated completion: TBD

Budget: \$9 million (MSCBA administered project)

- Structural failures with the plumbing distribution and waterproofing
- A full renovation of the bathrooms is required to replace the plumbing and waterproofing systems

Bates building assessment/study - Anticipated completion: Spring 2019 (MSCBA administered project)

Budget: \$80,000 (MSCBA funded)

- Assessment of the complex to understand investment required to keep the facilities operational for the next 5, 10, and 15 years.
- The complex is aging and needs an upgrade of the bathrooms and kitchens to address chronic plumbing issues.

PROJECTS IN PLANNING/STUDIES COMPLETED

Horace Mann Code Evaluation - Completed: 6/18

Project budget: \$25,000

REQUEST FOR TRUSTEE ACTION

Date: September 5, 2018
To: Board of Trustees
From: Karen P. House, vice president for finance and facilities
Subject: Finance and Facilities Committee charter
Requested Action: Approval

Reorganization within the university administration requires an amendment to the staff designee(s) for the Finance and Facilities Committee. The assigned staff is the vice president for finance and facilities; a vice president for administration no longer exists. A mark up of the change is below.

Staff Designee:

The vice president for finance and ~~business~~ facilities is the senior staff member supporting the committee for financial and capital planning matters. ~~The general counsel/vice president for administration is the senior staff member supporting the committee for capital planning matters~~

MOTION

The Finance and Facilities Committee recommends that the Board of Trustees approve the following motion regarding the Finance and Facilities Committee Charter.

Recommended motion

The Board of Trustees of Salem State University hereby amends the Finance and Facilities Committee charter as presented.

Committee Assigned: Finance and Facilities
Committee Action: Approved
Date of Action: September 26, 2018

Trustee Action:

Trustee Approval Date:

Effective Date:

Signed: _____

Title: Secretary of Board of Trustees

Date: _____



Board of Trustees Finance and Facilities Committee Charter

Purpose:

The Finance and Facilities Committee of the Board of Trustees shall be a permanent committee which will exercise fiduciary responsibilities and financial oversight for the university to assist management in discharging its responsibilities to ensure financial stability and to develop and maintain the long term economic health of the university in support of its mission and priorities. The Committee will exercise fiduciary responsibilities to assist management in discharging its responsibilities to ensure appropriate capital planning and development for the university, inclusive of facilities and information technology. The Committee makes recommendations to the Board of Trustees regarding financial policies, capital planning, and related matters.

Responsibilities:

Financial Affairs

1. Advise the Board on policies relating to financial matters (accounting, budgeting, financial reporting, investment, and debt management).
2. Advise the Board on proposed debt issuance.
3. In conjunction with the Risk Management and Audit Committee, review the annual financial statements.
4. Review reports, studies, information and recommendations as deemed necessary for the proper and effective exercise of financial oversight responsibilities. Periodic reports reviewed may include budget, fiscal condition, investment and debt information and, to the degree appropriate, will include past, current and future (projected) data.
5. Meet periodically with the university's investment advisor and assess investment performance consistent with the university's investment policy.
6. Review on a periodic basis the financial metrics by which the university's financial health is measured, including debt capacity reports.
7. Review the short term and long term financial plans of the university.
8. Review and recommend an annual plan of financial operation (budget).
9. Review and recommend to the Board fee rates to be charged to students as applicable under state law; this typically includes mandatory fees charged to all students. Tuition is set by the Commonwealth; the rent component of the room rate is set by the Board of Higher Education; fees not applicable to all students, including a variety of miscellaneous fees and board rates are the responsibility of the president.

Capital Planning

1. Review and recommend policies relating to property, buildings, land acquisition/sale/exchange, site development, and construction.
2. Review and recommend plans relating to facilities and long-range capital outlay budgets.
3. Oversee the development and continuing review of a master vision (capital plan) for the university.
4. Recommend capital projects, real property transactions, and major IT acquisitions that should be undertaken.
5. Periodically review the progress on major capital projects.

Membership:

The committee shall have not fewer than three Trustees appointed by the chair of the Board. The president shall be a member of the committee, *ex officio*, non-voting. The chair shall be a member of the committee, *officio* voting. Committee members may include individuals who are not trustees so long as the majority membership of the committee is comprised of trustees. The chair shall have the authority to appoint non-trustee members advisory, non-voting to the committee to serve until the next annual meeting. Members may be appointed to the committee, on a temporary basis, by the chair, as may be required.

Quorum:

A majority of the members shall constitute a quorum.

Meetings:

The committee is expected to meet at least four times each fiscal year and more if needed to facilitate prudent and timely decision making. The meetings shall be conducted in conformity with the state's Open Meeting Law. Executive sessions may be conducted periodically and shall be limited to those matters permitted by the state's Open Meeting Law.

Staff Designee:

The vice president for finance and facilities is the senior staff member supporting the committee for financial and capital planning matters.

Agenda, Minutes, and Reports:

The chair of the committee, in collaboration with the staff designees, shall be responsible for establishing the agendas for meetings. An agenda, together with relevant materials shall be made available to committee members at least five days in advance of the meeting. Minutes for all meetings shall be drafted by the staff designee, reviewed by the committee chair, and approved by committee members at the following meeting.

12/2/2015 Approved by the Salem State University Board of Trustees
3/29/2017 Reviewed by the Finance and Facilities Committee, no changes.

REQUEST FOR TRUSTEE ACTION

Date: September 24, 2018
To: Board of Trustees
From: Karen P. House, vice president for finance and facilities
Subject: St. Jean's Credit Union – University Bank Account
Requested Action: Approval

Background

Salem State University has bank accounts at Eastern Bank; the location on Loring Avenue across from the university will be closing soon. Cash and other receipts are deposited at this Eastern Bank location daily. Other Eastern Bank locations are not in close enough proximity to allow the university police to courier deposits. The university plans to open an account at St. Jean's Credit Union at 336 Lafayette Street in Salem where deposits can be couriered cost effectively. Deposits will be transferred daily or as needed from St. Jean's Credit Union to Eastern Bank via ACH.

The following university administrators will be authorized signers on the account: vice president for finance and facilities/CFO, university controller, associate director of accounts payable and associate director of payroll.

Authorization by the Board of Trustees is requested on the motion below.

MOTION

The Finance and Facilities Committee recommends that the Board of Trustees approve the following motion for the university to open a bank account at St. Jean's Credit Union.

Recommended motion

The Board of Trustees authorizes the university to open a bank account at St. Jean's Credit Union bank account to deposit daily receipts. Authorized signers on the account will be the vice president for finance and facilities/CFO, university controller, associate director of accounts payable and associate director of payroll.

Committee: Finance and Facilities

Committee Action: Approved

Date of Action: September 26, 2018

Trustee Action:

Trustee Approval Date:

Effective Date:

Signed: _____

Title: Secretary of Board of Trustees

Date: _____

Financial Dashboard Work in Process Commentary

Members of the Board of Trustees' Finance and Facilities Committee have requested that management develop a dashboard to supplement other information and reports and aid in the exercise of fiduciary responsibilities. Dashboard work has been underway. A preliminary, work in process view is included in this packet. I hope to engage the committee in discussion and receive feedback in order to refine the dashboard to be as useful as is practical, for management as well as trustees. The commentary and an initial User Guide included in the packet along with the Work in Process Financial Dashboard provide context for the review and discussion.

Discussion at the meeting will impact the look, frequency, and usefulness of the financial dashboard in the future.

IT SHOULD BE NOTED THAT THE INITIAL FINANCIAL DASHBOARD WORK IN PROCESS DRAFT INCLUDED IN THIS PACKET IS PROVIDED AS AN EXAMPLE AND TO FACILITATE DISCUSSION, RATHER THAN TO FOCUS ON THE PARTICULAR DATA PORTRAYED, WHICH HAVE NOT YET BEEN CAREFULLY VETTED.

What financial information is, and will continue to be, regularly provided to the Board, in addition to a new dashboard?

- Audited financial statements, annually in October¹
- Key financial ratios consistent with Moody's definition, annually between October and January (FY17 ratios are attached here, behind the two dashboard pages)
- Budget package with supplementary, multi-year trend tables, annually in May/June²
- Quarterly financial reports and commentary providing information about the most recent, closed, fiscal quarter as compared to prior year and budget, three times a year
- Reports and analyses on selected topics as appropriate (example: debt study work in FY16 and FY17)

What is a dashboard?

There are differing definitions of a dashboard and differing purposes. To some, it is a scorecard that tracks and provides commentary about key metrics. To others, it is an interactive tool that facilitates analysis by having "drilldown" capability that allows an analyst to evaluate trends of interest or concern, to contribute to action steps appropriate to improve the situation.

- "A **data dashboard** is an information management tool that visually tracks, analyzes and displays key performance indicators (KPI), metrics and key data points to monitor the health of a business, department or specific process... Unlike advanced business intelligence tools, dashboards are designed for **quick analysis and informational awareness.**" ³
- "In information technology, a dashboard is a user interface that, somewhat resembling an automobile's dashboard, **organizes and presents information in a way that is easy to read.**" ⁴
- "...the purpose of a dashboard is to provide real-time results by **aggregating and extracting value from all the data you collect**, otherwise known as your key performance indicators (KPIs). It simplifies your data into more **manageable chunks of visual information** that allows you to see what you are doing right and where you need to improve. When utilized properly, dashboards can **help you make informed decisions** that can dramatically impact business performance – which in turn effects your bottom line." ⁵

Considerations for Salem State's financial dashboard

It is appropriate to define this initial financial dashboard that will be presented to trustees in a way that meets the unique needs and circumstances of Salem State.

- Our business is highly cyclical, and the cycles are fairly slow. Fall semester, Spring semester, and Summer are the three broad business periods.
 - Up-to-the minute data is not readily available nor meaningful.
 - At certain times of the year, management tracks certain values daily to provide an indication of what is likely to occur for the next semester. But the values become “official” at stated points based on underlying processes (for example: enrollment becomes official at the semester’s freeze date following the end of the add part of the add/drop period; housing occupancy becomes official at the MSCBA-dictated census date.)
- Our “product” is expensive on a per-unit basis and is paid for by multiple parties (students, families, governmental agencies in the form of financial aid, lenders whether governmental or not).
- Many universities do not formally “close” their fiscal months although Salem State does.
 - However, due to the nature of our interaction with the State’s accounting and payroll processes and periods, our fiscal close is not a quick close traditional for a for-profit enterprise that occurs within a small number of days after the end of the calendar month. We keep the prior year accounting periods open until after the Board accepts the annual audit in October, then catch up on reconciling/closing the new year’s fiscal months by December. Thus for half of the fiscal year there is not a standardized or cleansed set of closed fiscal periods to support dashboard data.
 - We will portray current year data as of the date of the snapshot (probably five calendar days after the end of the calendar month); however, the prior year’s data will be as of a closed fiscal period so that in itself may cause some variances that are not significant to ultimate performance.
- The university has a variety of disparate data systems that are not currently all integrated in one reporting warehouse, requiring some manual collection of data from other departments, outside of finance, and their systems.
- The university does not have a site license to use sophisticated dashboard tools, nor does the finance team have a staff position with ongoing responsibilities, skillsets, and compensation levels appropriate to design and execute highly sophisticated dashboards.
 - Much of this initial work is being done using Excel as a proof of concept.
 - We plan to incorporate feedback and improve the design; however, decisions will be taken with an eye toward what is practical and able to be reasonably maintained.

- We are exploring opportunities to engage upper-level student interns studying business communications in this project in the future, partially to assist with the work and partially to provide them with real-world experience relevant to their studies.

Salem State's Work in Process financial dashboard

In light of the currently available information, data, cycles, and tools, SSU has elected to design this initial financial dashboard to provide **quick analysis and informational awareness** about financial status in a **visual manner that is easy to read** about key revenue and expense drivers and trends as well as changes in key asset categories along with contextual (multi-year) information, **aggregated from multiple data sources**. The goal is to **inform decisions** by answering questions such as:

For activities that drive revenue and expenses:

1. For our key revenue driver (enrollment) – how do our student counts in the three lines of business (undergraduate, graduate, and continuing education) compare to prior year at the same time? How does the related YTD revenue as a percentage of budget compare to the prior year's trend line? *Are we on track to meet our budget or will we be forced to make mid-course corrections that can be disruptive? What are the implications for the future?*
2. For a key revenue driver (residence halls) – how does the number of students contracted to live in the residence halls compare to the current year's budget? How does the related YTD revenue as a percentage of budget compare to the prior year's trend line? *Are we on track to meet our budget or will we be forced to make mid-course corrections that can be disruptive? What are the implications for the future?*
3. For a new initiative to diversify non-enrollment driven revenue (summer conference activity) – what are the current and next year's summer revenue and bed counts? How much revenue is possible in the near future given inquiries (prospects), how much is likely (under contract) and how much has been attained? *Is this activity growing and contributing to the university's financial health as expected?*
4. For expense drivers (compensation, by far the largest annual expense), support, and facility-related expenses: How does the YTD expense as a percentage of budget compare to the prior year's trend line? *Are we on track to meet our budget or will we be forced to make mid-course corrections that can be disruptive? Are we meeting our plans with regard to position vacancies – do excessive vacancies lead to operational strain*

but favorable financial results or do we run the risk of not meeting the target and having budget overruns?

We use monthly snapshots of data and colors and arrow directions to signify good, bad, or adequate figures.

Page 2 provides annual level data about managed revenue and expense trends, for context in evaluating the information provided on page 1. In addition, for asset categories – we provide information that helps place the current year’s balances in a multi-year context, so that position in regard to cyclical trends can be quickly evaluated.

Questions include: *are cash balances adequate to meet required liquidity (minimum cash balances required)? Are we on track to have sufficient cash to operate and pay bills? How are we trending with regard to collecting the large accounts receivable balances that are a normal part of our business cycle? What impact are general market conditions and the performance of our investment advisor having on the value of our investment portfolio and the investment income we derive from the holdings?*

Notes:

¹ Audited financial statements:

<https://records.salemstate.edu/sites/records/files/reports/2017-10/FY2017%20July%201%202016%20%E2%80%93%20June%2030%202017%20Audited%20Financial%20Statements.pdf>

² Budget: <https://records.salemstate.edu/sites/records/files/reports/2018-09/FY19%20University%20All%20Funds%20Budget.pdf>

³ Data Dashboard definition: <https://www.klipfolio.com/resources/articles/what-is-data-dashboard>

⁴ Information technology dashboard: <https://searchcio.techtarget.com/definition/dashboard>

⁵ Dashboard purpose: <https://www.idashboards.com/blog/2016/09/26/what-is-the-purpose-of-a-dashboard-2/>

Financial Dashboard Work In Process Draft User Guide August 30, 2018

This guide is designed to assist the viewer of the Financial Dashboard to navigate the various graphs, charts and tables.

Page 1 (clockwise starting at the top left)

Enrollment

Here the viewer will see three sections of people icons used to represent undergraduate (UG), graduate (GRAD) and continuing education (CE) admissions to date. For UG we use headcount whereas for graduate and CE we track total credits as a measure of enrollment. The figure to the right of each category represents the headcount or credit hours for each category as a percentage enrollment from the same time last year for the semester. The two bar graphs just below the people icons represent either headcount or credit hours year-to-date actual as compared to the current year budget for the semester.

Academic Year Housing Occupancy

This bar graph shows the monthly expected occupancy of student campus housing as compared to the budgeted amount (red line). If the blue bar is under the red line, that shows the university is at less than 100% capacity.

Position Vacancy Savings

Using the data for the last Friday in each month, we compare the current estimated annual vacancy savings against the budgeted vacancy savings for the current fiscal year.

Summer Housing Revenue

A new initiative that started in Summer 2018 is the Summer Hospitality Program in conjunction with Capstone On-Campus Management (COCM). The summer housing revenue bar graph shows the current prospects (future potential client revenue), the amount under contract, and completed contracted revenue for the summer periods as labeled.

Summer Bed Nights

Like Summer Housing Revenue, this bar graph shows the prospects (future potential client bed nights), counts under contract, and completed contracted bed nights for summer periods as labeled.

Managed Revenues and Managed Expense Tables

In the bottom left section we find two rows – the top row represents selected, significant, managed revenue sources with the bottom row representing managed

expenses by natural classification. Each table is labeled with total budgeted amount, relative size as a percent, percent attainment (amount of revenue or amount of expense recorded expressed as a percent year-to-date) and the dollar amounts.

Symbols: The simple pie charts by each category depict the percent this category contributes to overall managed revenues or expenses, according to the FY19 budget. The down red arrow represents an undesirable year-to-date result while the upward green arrow represents a positive result, compared to prior year trends. The yellow bar represents that the current year to prior year comparison is meeting expectations.

Page 2 (top to bottom)

Managed Net Income Trend

For context, these three bar graphs show multiple year comparisons for managed revenue and expense, key managed revenues and key managed expenses.

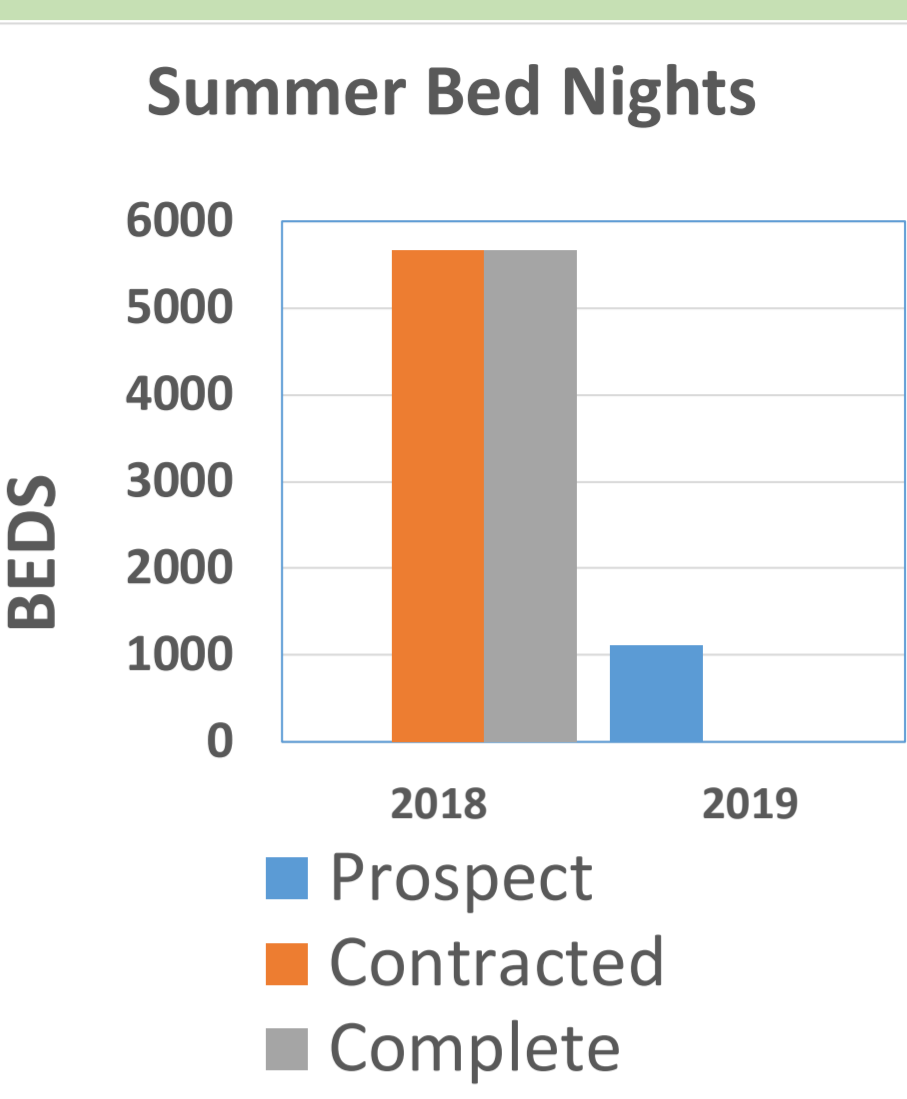
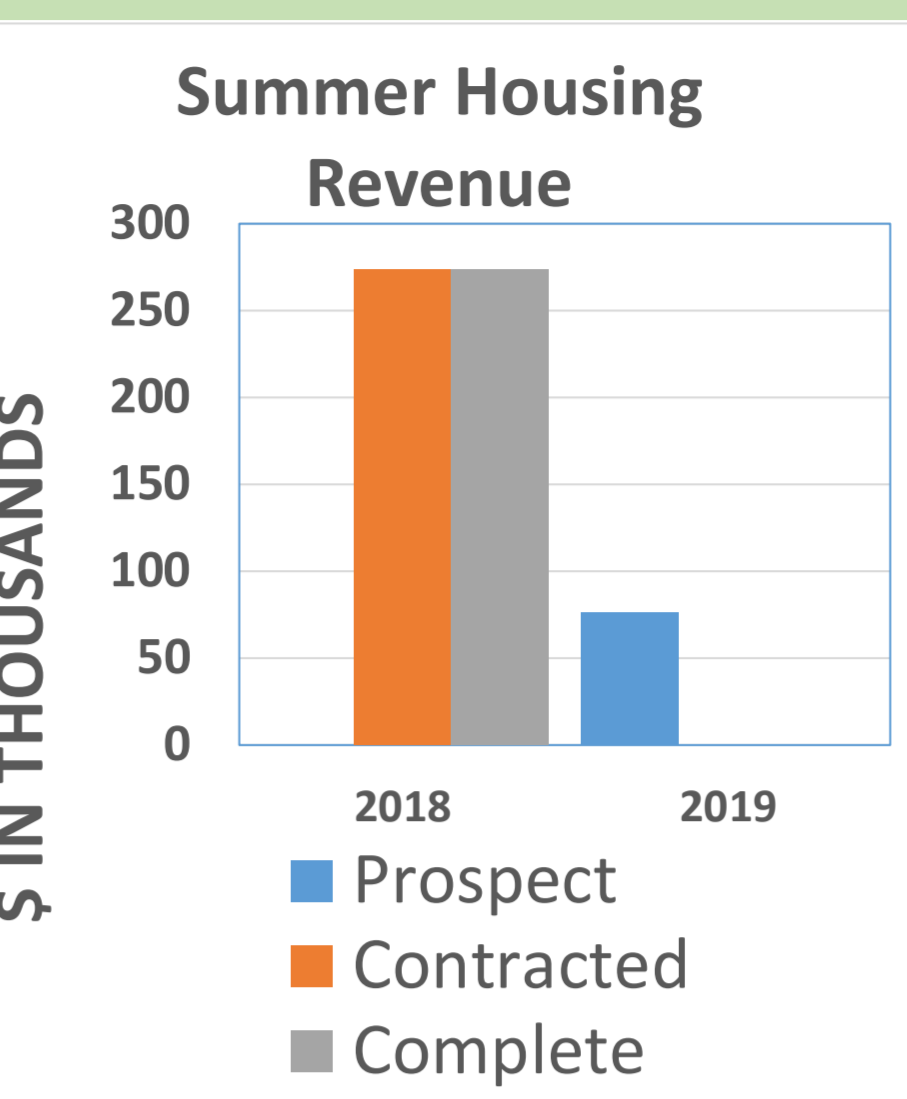
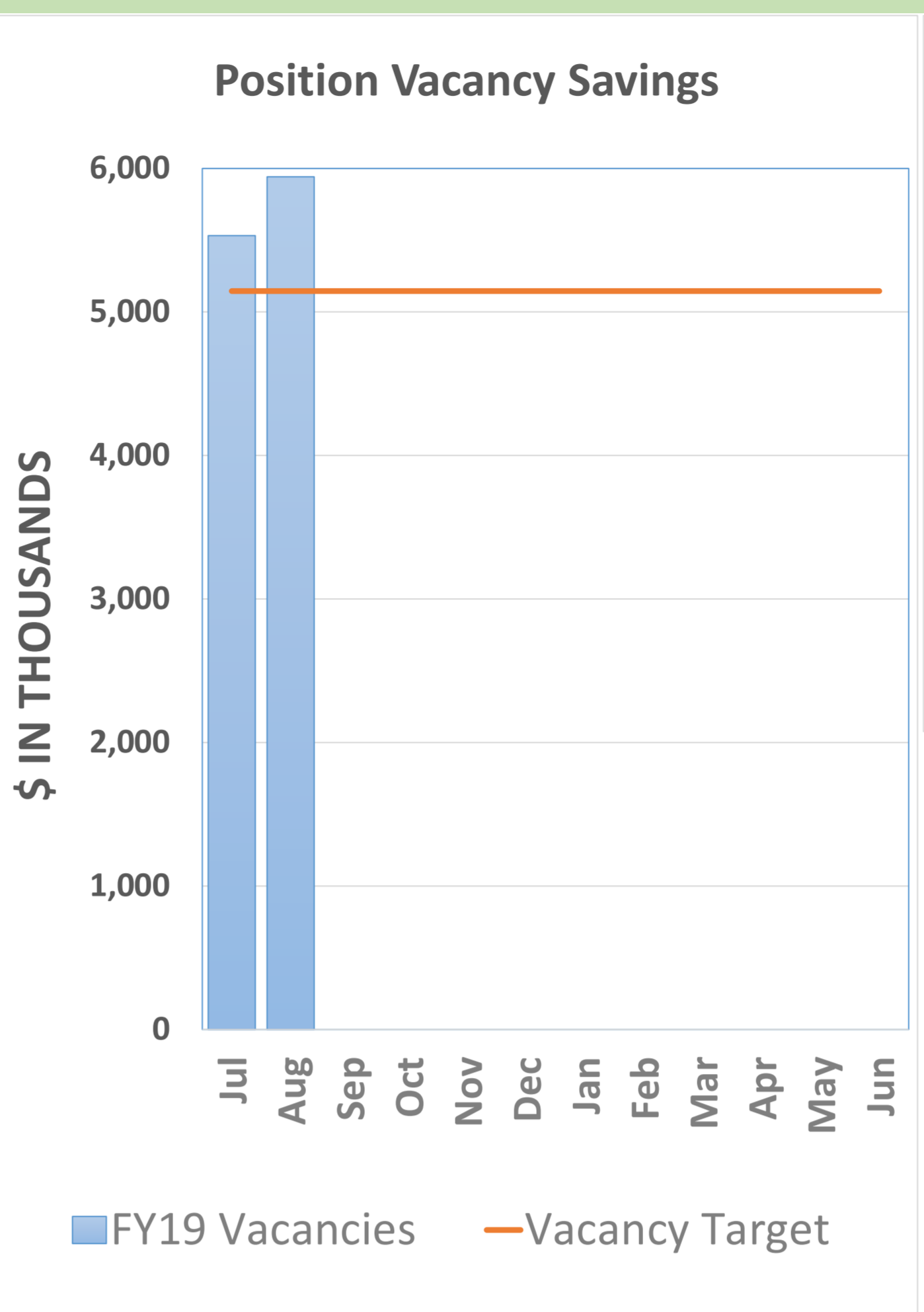
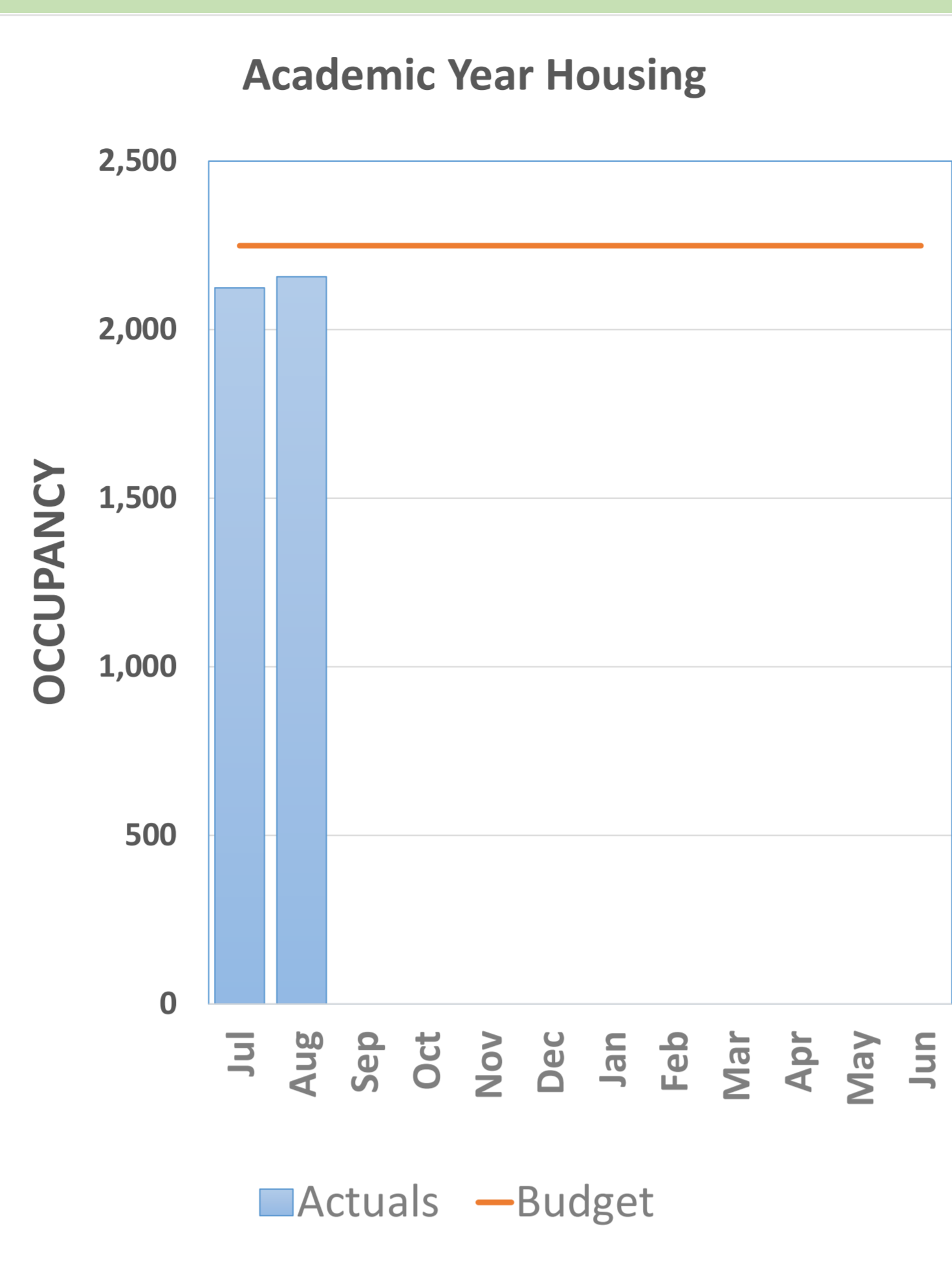
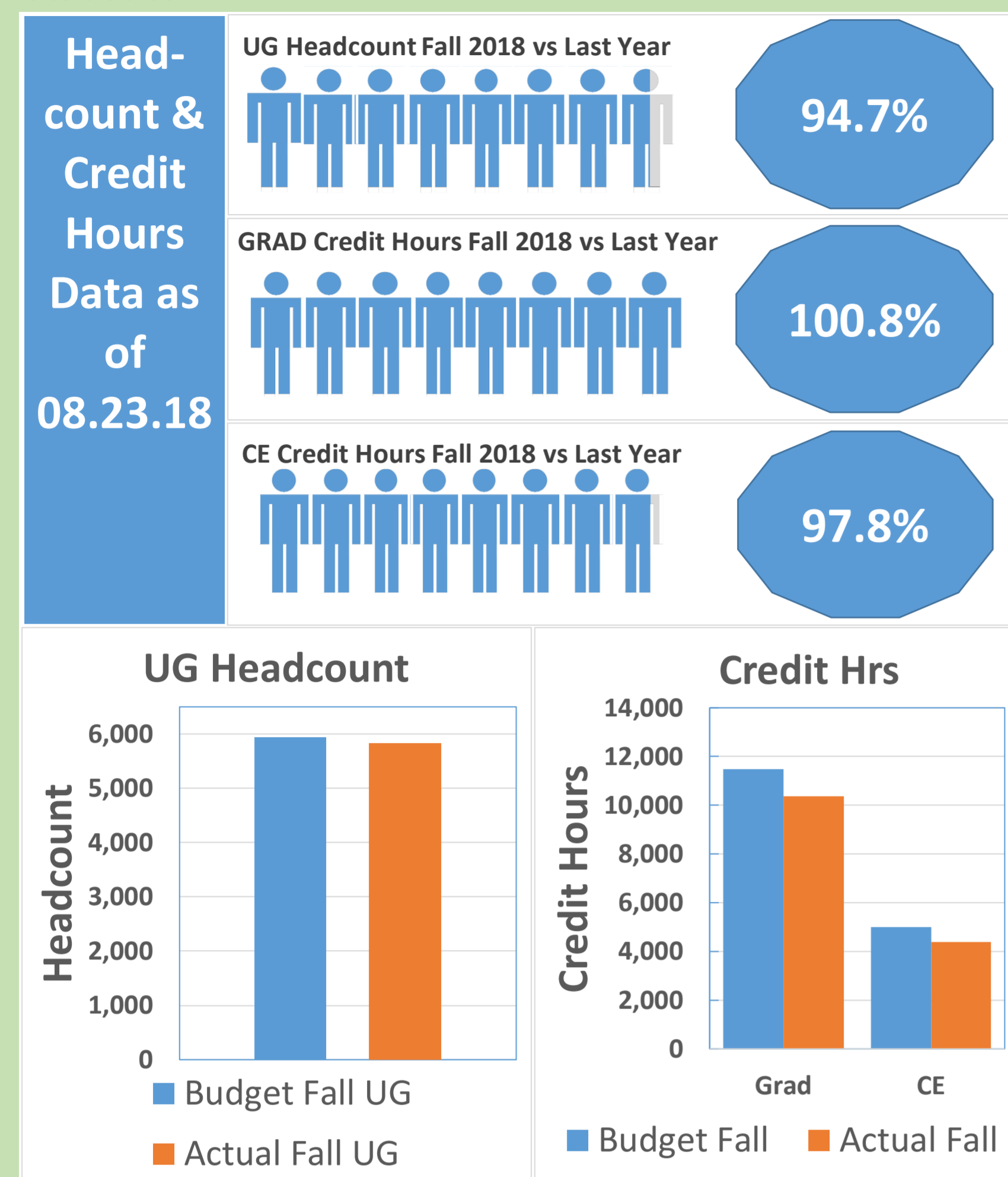
Balance Sheet Trends

These three line charts show several years of history plus the balance in the current year, by month, for Cash Balances, Net Receivables and Market Value of Investment Portfolio.

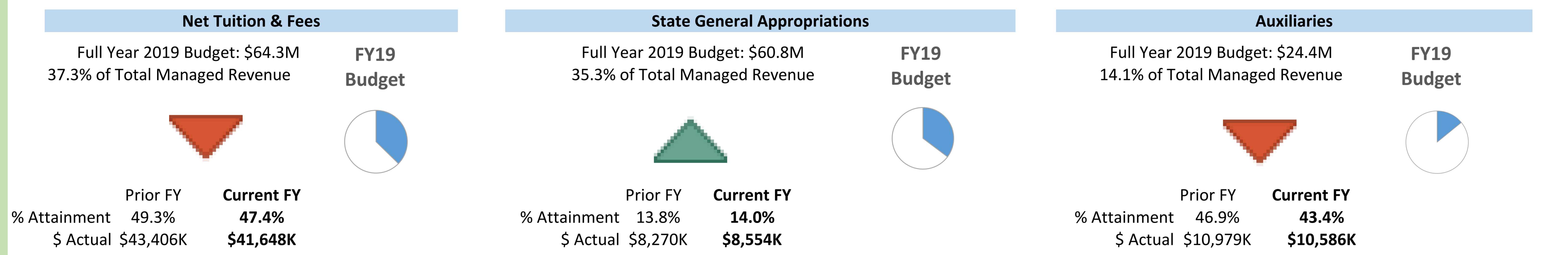
Salem State University Financial Dashboard

Work in Progress - Mock-Up for Discussion Purposes Only, 08.31.18

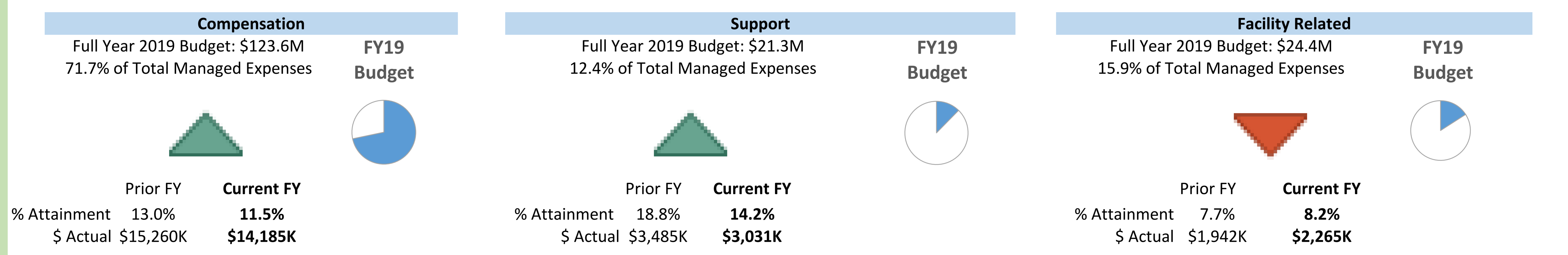
Statistics



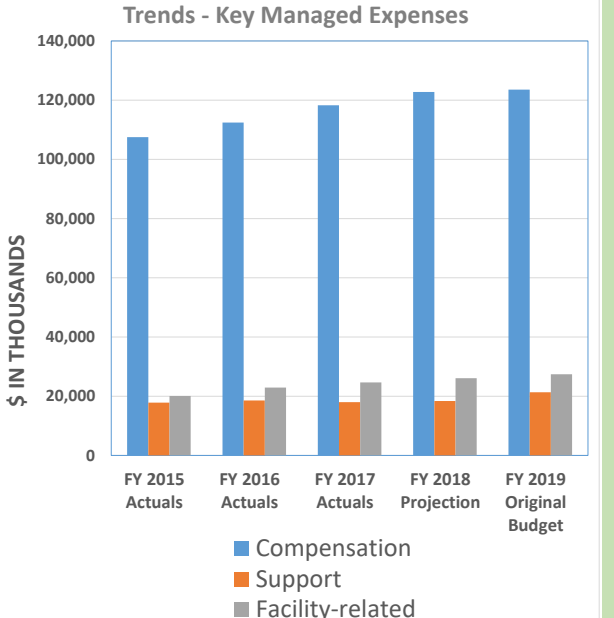
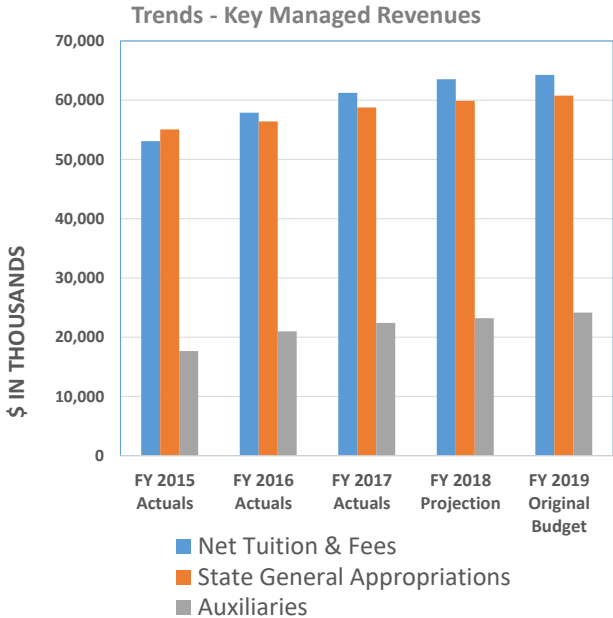
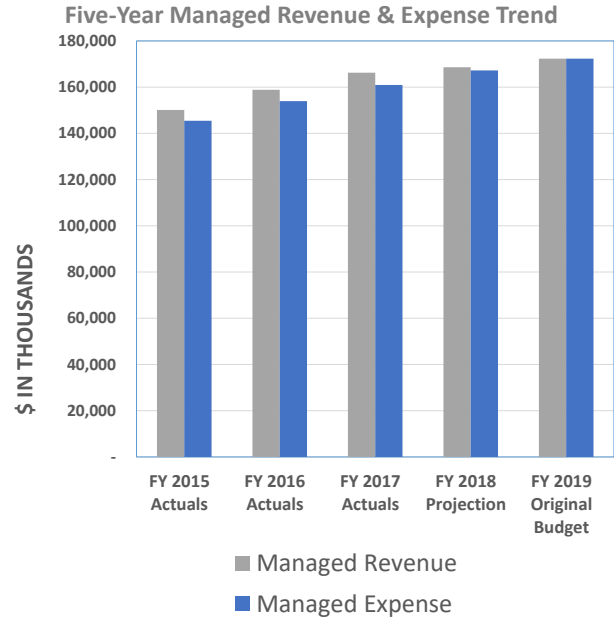
Key Managed Revenues as of Aug. 28, 2018 (current fiscal year) and August month end, closed (prior fiscal year)



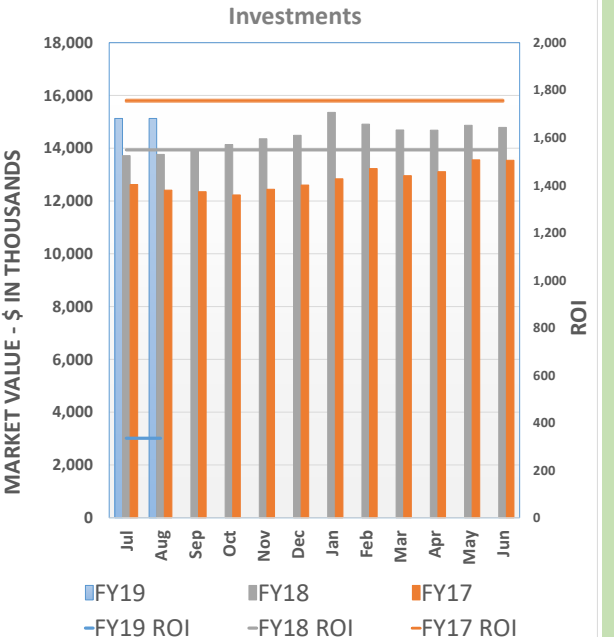
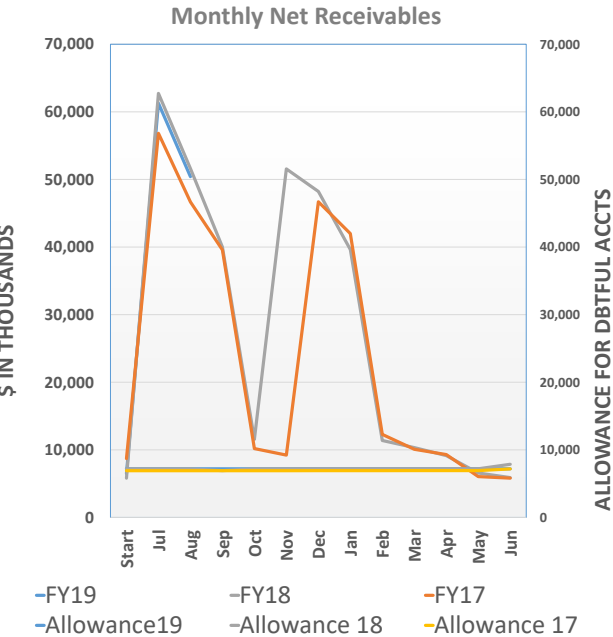
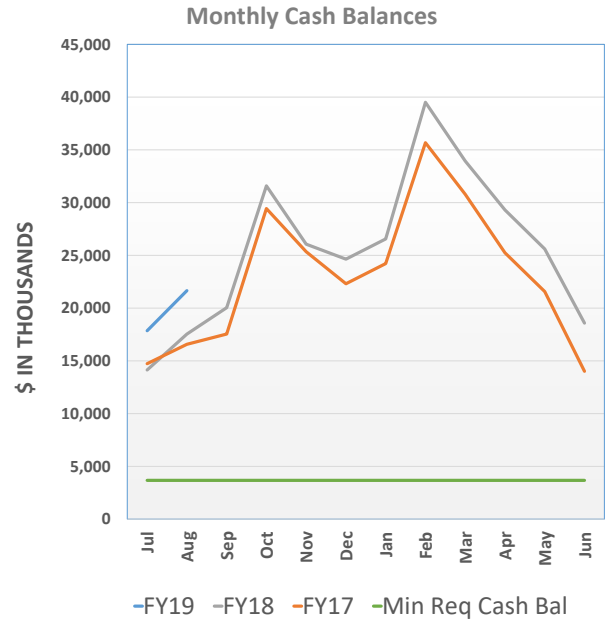
Managed Expenses as of Aug. 28, 2018 (current fiscal year) and August month end, closed (prior fiscal year)



Managed Net Income Trends



Balance Sheet Trends





Annual Ratios for Reference

Salem State University

Ratio Calculations & Other Measurements

January 2018

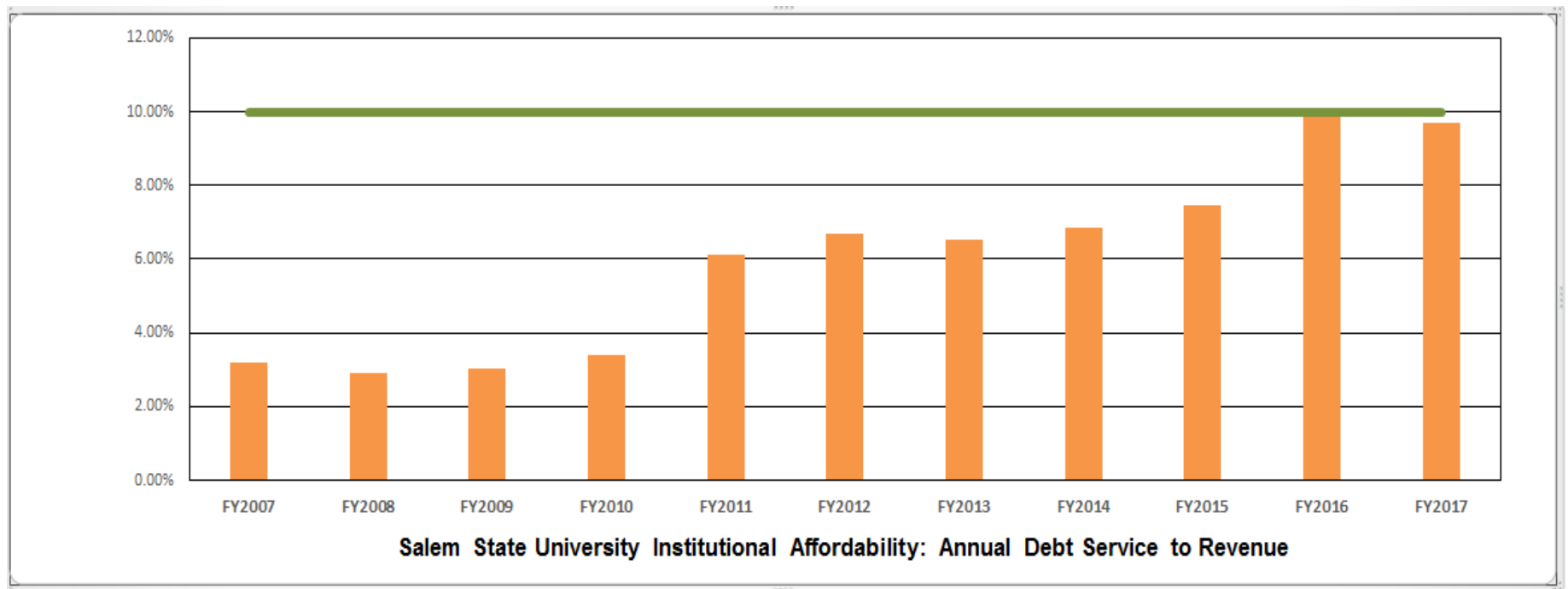
Introduction

- ❑ Calculations were prepared by PFM from FY2011 through FY2016. Salem State University prepared the calculations prior to FY2011 and for FY2017 based on audited figures.
- ❑ Calculations do not include the Foundation or Assistance Corporation units of Salem State University.
- ❑ Calculations are based on Moody's scorecard methodology.
- ❑ Calculations include all debt that is owed for both on and off (MSCBA) the University's books.
- ❑ Calculations that require operating revenues include appropriations which is in accordance with Moody's. Whereas, the University's operating revenues as disclosed in our financial statements exclude appropriations from operating revenues in accordance with Governmental Accounting Standards.

Annual Debt Service Burden (Debt Service to Revenue)

Measures the University's ability to repay its debt obligations from operating revenue. Calculated as Total Annual Debt Service divided by Total Operating Revenue. As a general guideline, this ratio should be no higher than 10%.

	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
Annual Debt Service: Total	\$ 3,566,935	\$ 3,524,053	\$ 3,588,400	\$ 4,054,113	\$ 8,484,165	\$ 8,974,656	\$ 8,975,468	\$ 9,900,620	\$ 11,408,212	\$ 15,936,951	\$ 16,393,677
Total Operating Revenue	\$ 112,321,869	\$ 121,180,082	\$ 118,083,680	\$ 119,452,676	\$ 138,594,588	\$ 134,442,702	\$ 137,672,616	\$ 144,253,046	\$ 152,503,412	\$ 160,621,207	\$ 169,062,145
Debt Service to Reven	3.18%	2.91%	3.04%	3.39%	6.12%	6.68%	6.52%	6.86%	7.48%	9.92%	9.70%

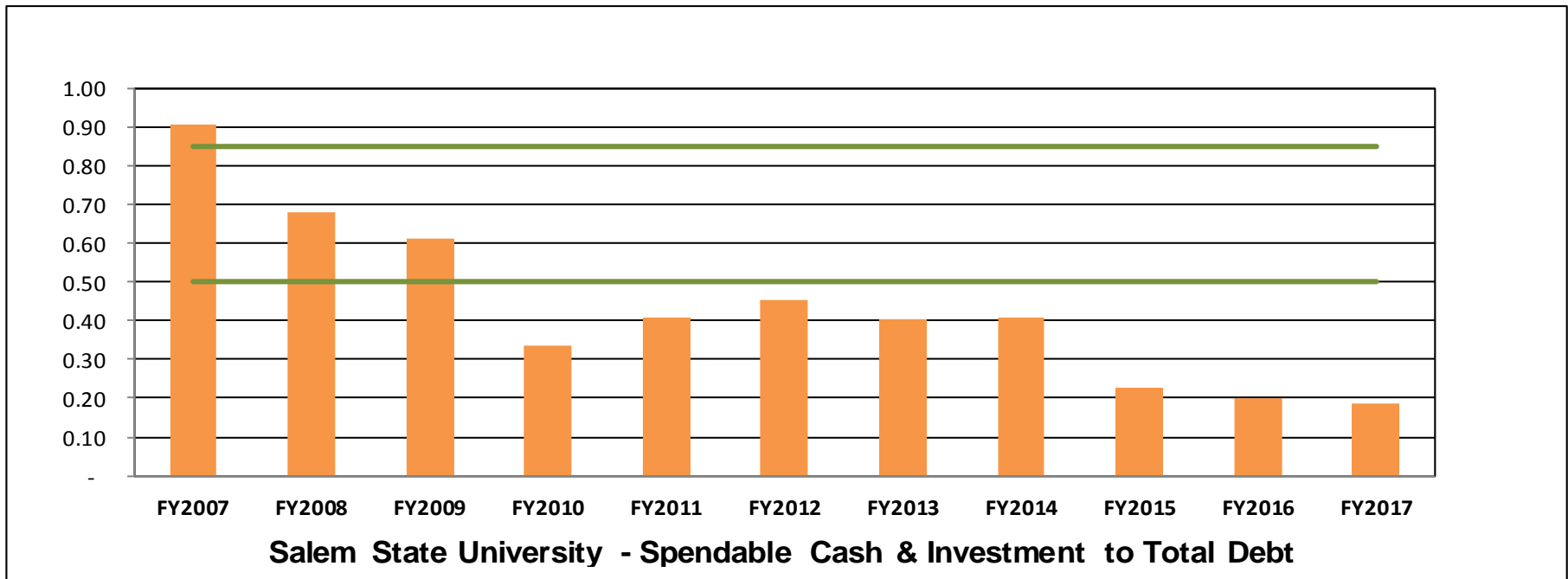


Note: Prior calculations of this measurement have been restated due to the prepayment of principal. These principal payments made in advance were in order to avoid a balloon payment that was due in the near future.

Spendable Cash & Investments to Total Debt

Measures the University's ability to repay its debt obligations from wealth that can be accessed over time or for a specific purpose. Calculated as cash and investments plus funds held in trust by others plus pledges receivable reported in permanently restricted net assets less funds permanently restricted by third parties (permanently restricted net assets) divided by total debt (principal) outstanding. This ratio should range between 0.50x and 0.85x as depicted by the green lines in the graph below.

	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
Spendable Cash & Investments	\$ 65,271,718	\$ 48,561,298	\$ 43,290,532	\$ 47,081,014	\$ 58,757,295	\$ 71,293,218	\$ 62,171,400	\$ 70,851,338	\$ 57,020,184	\$ 48,831,409	\$ 44,860,975
Total Debt Outstanding (Total Debt)	\$ 71,860,965	\$ 71,408,650	\$ 70,696,391	\$ 139,514,233	\$ 143,059,239	\$ 156,832,951	\$ 154,290,929	\$ 173,292,405	\$ 248,762,940	\$ 244,277,530	\$ 242,184,323
Spendable Cash & Investments to Total Debt	0.91	0.68	0.61	0.34	0.41	0.45	0.40	0.41	0.23	0.20	0.19

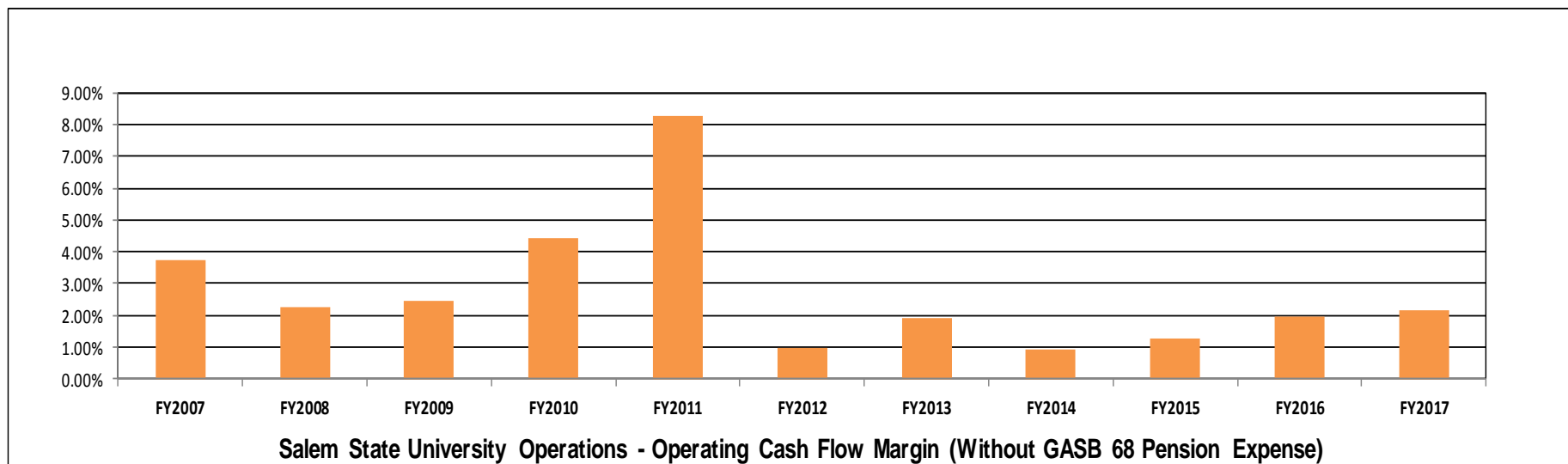


Note: Prior calculations of this measurement have been restated to exclude federal loans payable.
FF 87 of 104

Operating Cash Flow Margin

Measures net income (before non-cash expenses) relative to operating revenue to indicate the amount of cash the University generates to support its strategic and capital investments. Calculated as operating revenue less operating expenses plus depreciation, and any additional, unusually large non-cash expenses (GASB 68 Pension Expense), divided by operating revenue. This ratio should show an improving, positive trend over the course of multi-year period.

	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
Operating Cash Flow	\$ 4,212,669	\$ 2,746,754	\$ 2,912,792	\$ 5,317,622	\$ 11,448,244	\$ 1,312,231	\$ 2,614,998	\$ 1,359,426	\$ 1,920,987	\$ 3,162,927	\$ 3,658,794
Operating Revenue	\$ 112,321,869	\$ 121,180,082	\$ 118,083,680	\$ 119,452,676	\$ 138,594,588	\$ 134,442,702	\$ 137,672,616	\$ 144,253,046	\$ 152,503,412	\$ 160,621,207	\$ 169,062,145
Operating Cash Flow Margin without GASB 68	3.75%	2.27%	2.47%	4.45%	8.26%	0.98%	1.90%	0.94%	1.26%	1.97%	2.16%

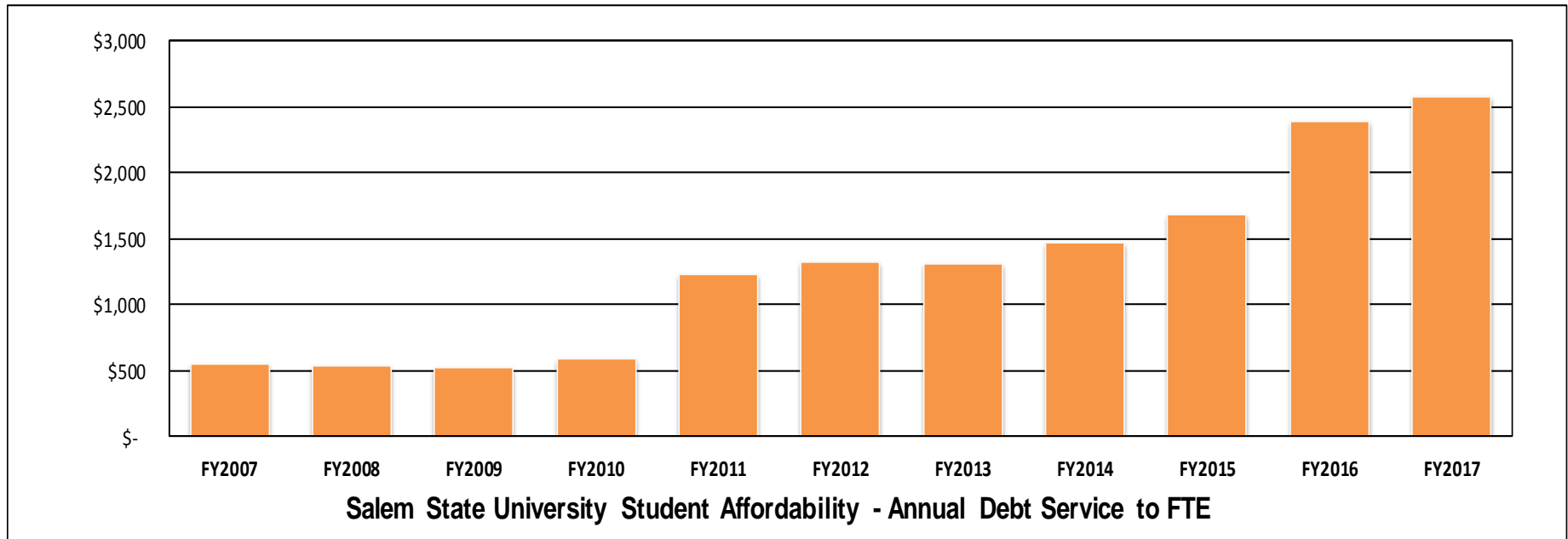


Note: The increases in FY2010 and FY2011 are primarily due to additional revenue from ARRA funding under a federal stimulus plan (\$3.9 million in FY2010 and \$7.4 million in FY2011). Additionally, during FY2011 the opening of Marsh Hall for the first time added 525 beds to the campus (\$4.2 million) and there was an increase in Appropriations (\$4.6 million) for FY2011.

Annual Debt Service to Full Time Equivalent (FTE) Undergraduate Enrollment

Measures the effective amount of the University's debt obligations that each undergraduate student is effectively covering in any given year. Calculated as Annual Debt Service divided by Undergraduate FTE.

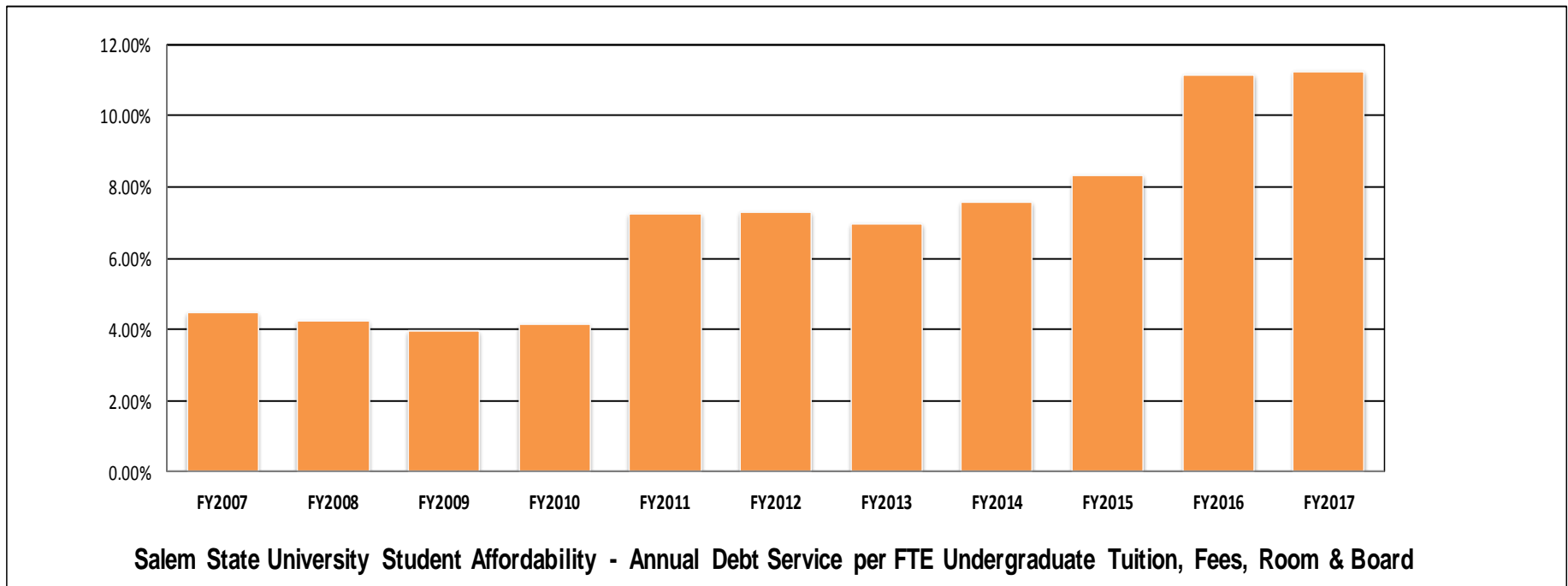
	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
Annual Debt Service (Total Debt)	\$ 3,566,935	\$ 3,524,053	\$ 3,588,400	\$ 4,054,113	\$ 8,484,165	\$ 8,974,656	\$ 8,975,468	\$ 9,900,620	\$11,408,212	\$ 15,936,951	\$ 16,393,677
Annual FTE Undergraduate Enrollment	6,528	6,561	6,797	6,887	6,865	6,773	6,870	6,753	6,757	6,674	6,358
Debt Service per FTE Undergraduate	\$ 546	\$ 537	\$ 528	\$ 589	\$ 1,236	\$ 1,325	\$ 1,306	\$ 1,466	\$ 1,688	\$ 2,388	\$ 2,578



Annual Debt Service per FTE as related to Undergraduate Tuition & Fees

Measures the proportion of the annual debt service as a percentage of Undergraduate student rates.

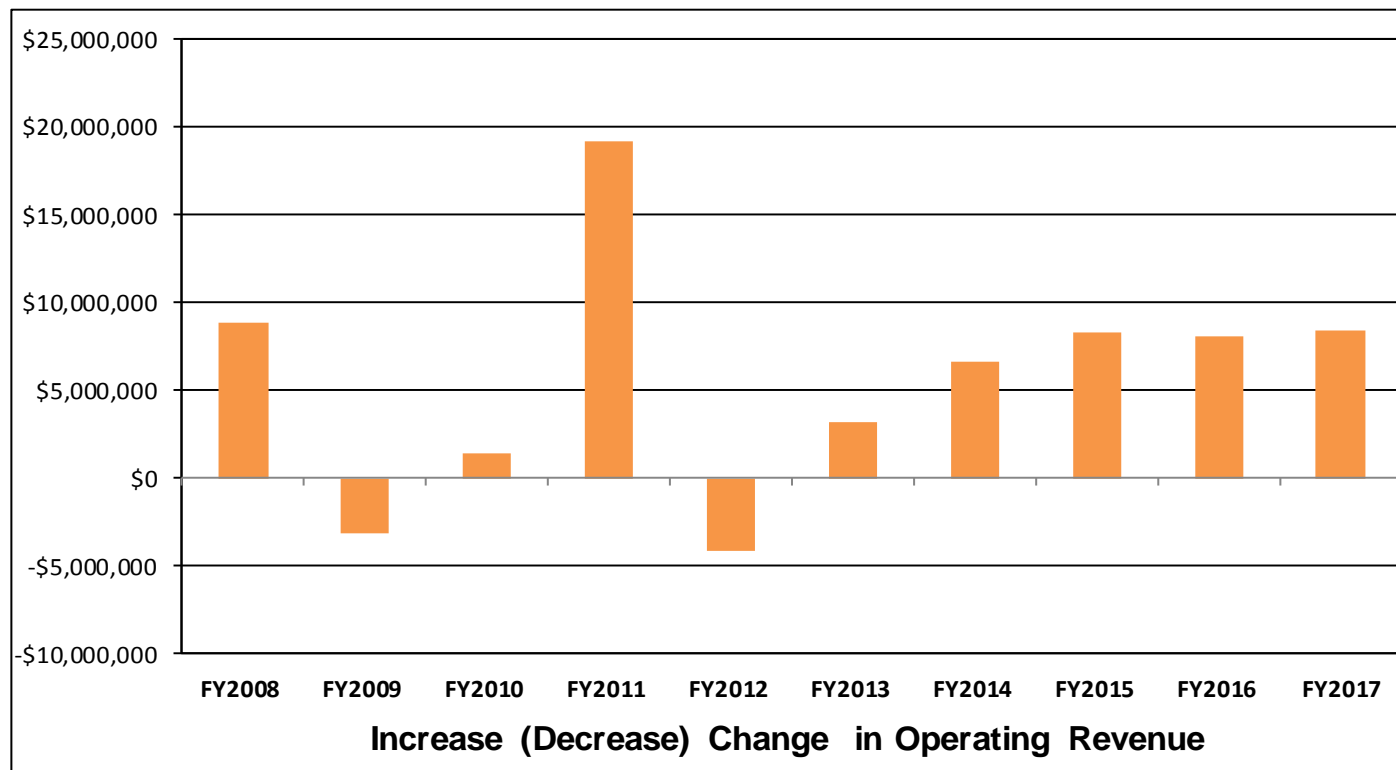
	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
Annual Debt Service per FTE Undergrad (Total Debt)	\$ 546	\$ 537	\$ 528	\$ 589	\$ 1,236	\$ 1,325	\$ 1,306	\$ 1,466	\$ 1,688	\$ 2,388	\$ 2,578
Tuition + Mandatory Fees + Average Housing + Meal Rates	\$ 12,193	\$ 12,571	\$ 13,328	\$ 14,220	\$ 17,014	\$ 18,116	\$ 18,804	\$ 19,294	\$ 20,252	\$ 21,391	\$ 22,936
Annual Debt Service per FTE Undergraduate	4.48%	4.27%	3.96%	4.14%	7.26%	7.31%	6.95%	7.60%	8.34%	11.16%	11.24%



Change in Operating Revenue

The increase or decrease in operating revenues from the prior year is depicted below.

	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
Change in Operating Revenue from Prior Year	\$ 8,858,213	\$ (3,096,402)	\$ 1,368,996	\$ 19,141,912	\$ (4,151,886)	\$ 3,229,914	\$ 6,580,430	\$ 8,250,366	\$ 8,117,795	\$ 8,440,938

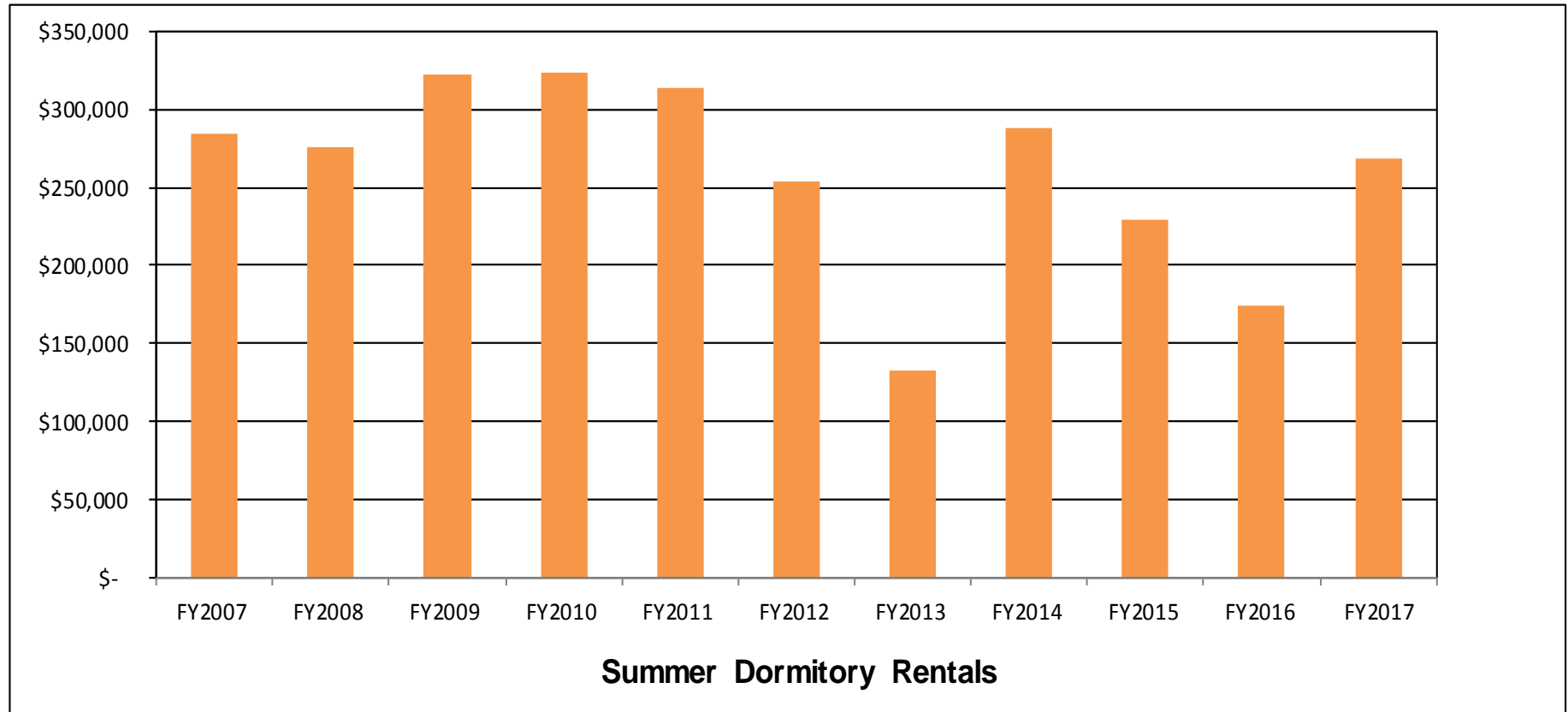


Note: The significant amount of operating revenue change from FY 2011 to FY 2012 of \$19.1 million is primarily due to ARRA funding under a federal stimulus plan (\$5.5 million) and the opening of Marsh Hall for the first time that added 525 beds to the campus (\$4.2 million).

Summer Dormitory Rental Revenue

The following information summarizes the summer dormitory rental revenue by year.

	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
Summer Dormitory Rental	\$284,398	\$275,831	\$321,793	\$323,515	\$313,385	\$253,911	\$132,698	\$287,951	\$229,160	\$173,607	\$269,019



Peabody / Bowditch Residence Halls
Possible future residence hall repair debt – information only, at this time
Finance and Facilities Committee meeting of 9/26/18

Background

Peabody and Bowditch are freshman residence halls on campus, built in 1965, with a design occupancy of 598 students (in total). Both buildings have experienced significant plumbing problems over the last several years. In addition, the bathrooms are cramped and narrow in layout and the finishes are quite dated and unappealing, having last had a cosmetic update in the mid 1990’s. Further information is provided in the attached document from MSCBA’s project manager. MSCBA undertook a project to examine the situation with care during the summer 2018 and the conclusion is that a major repair project needs to occur to replace the plumbing and bathrooms in both buildings. MSCBA has been working with Salem State to plan the project, ideally to be accomplished during summer 2019. Peabody and Bowditch are part of a portfolio of residence halls across the state schools known as “system beds” for which the debt will not be extinguished until 2028; FY19 assessment expense to Salem State for system beds (excludes reserve contribution) is approximately \$830 thousand.

Project Cost and Financing

Preliminary estimates for this project are currently at \$9.1 million total project cost, which would be funded from multiple sources as follows:

Project Budget and Schedule	
<u>Budget</u>	
Total Project Cost:	\$9,100,000
Savings from previous projects:	(200,000)
System Reserves	<u>(2,000,000)</u>
Project Fund (2019A)	6,900,000
Financing Costs	<u>000,000</u>
Total Bond Proceeds	<u>\$6,900,000</u>

The bonds would be issued by MSCBA and recorded on its books; SSU would consider this an off-book, long-term obligation. Debt service would be paid by MSCBA; however, SSU’s assessment expense would increase by approximately \$552 thousand per year against the Residence Hall Trust Fund (RHTF) whose FY19 budget is \$21.2 million. The increased fixed cost would presumably be covered through future rate increases for residential students (approximately \$260 per residential student per year, at current occupancy levels, or 2.6% rent increase per year.)

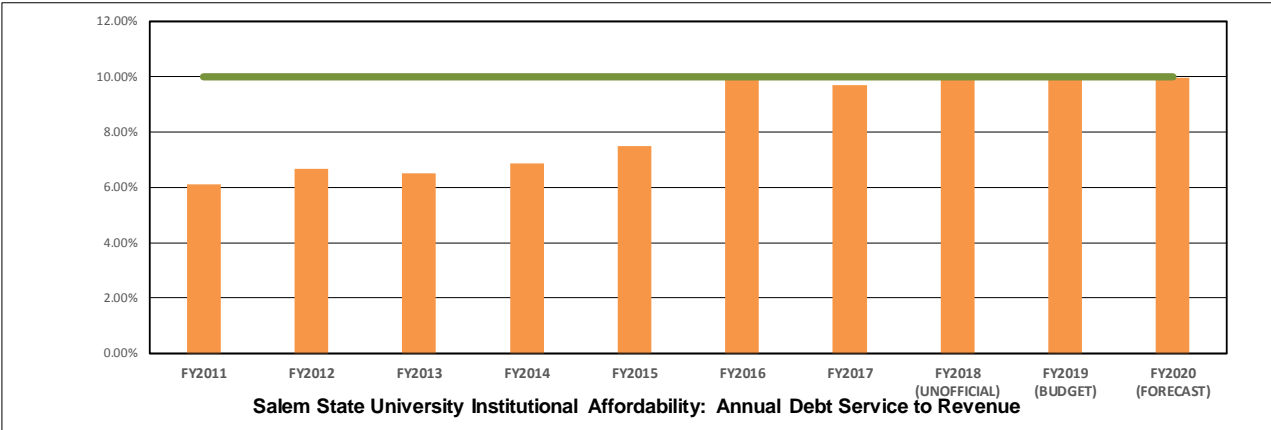
Debt Capacity

Although debt issued by MSCBA is “off book” to the university, we calculate our university-wide debt burden ratio as if it were on book because it is a long term obligation. In recent years such fixed commitments have approached 10% of our revenue. Taking into account a possible \$552 thousand payment for this project beginning in FY20, and not including new debt for any other projects, we forecast the FY20 ratio at 9.96% (see chart below.)

Annual Debt Service Burden (Debt Service to Revenue)

Measures the University's ability to repay its debt obligations from operating revenue. Calculated as Total Annual Debt Service divided by Total Operating Revenue. As a general guideline, this ratio should be no higher than 10%.

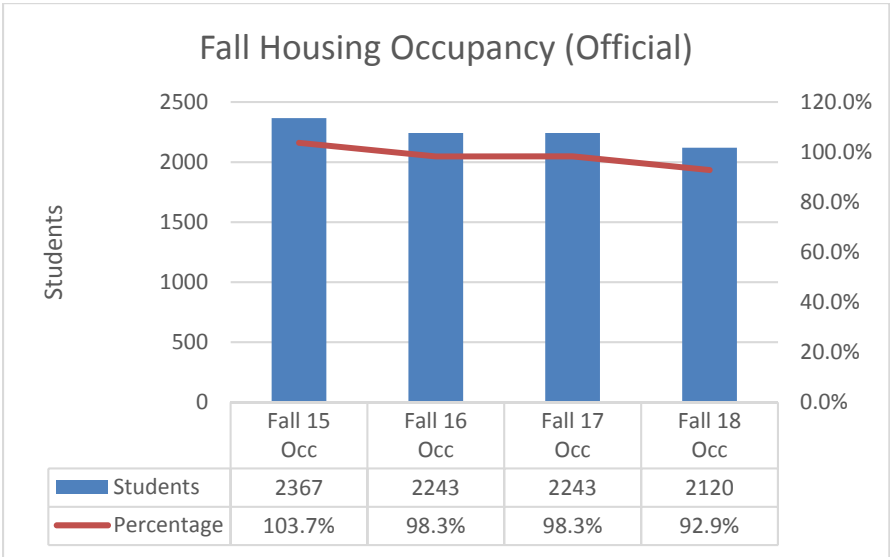
	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018 (UNOFFICIAL)	FY2019 (BUDGET)	FY2020 (FORECAST)
Annual Debt Service: Total	\$ 8,484,165	\$ 8,974,656	\$ 8,975,468	\$ 9,900,620	\$ 11,408,212	\$ 15,936,951	\$ 16,393,677	\$ 17,269,270	\$ 17,642,251	\$ 18,097,565
Total Operating Revenue	\$ 138,594,588	\$ 134,442,702	\$ 137,672,616	\$ 144,253,046	\$ 152,503,412	\$ 160,621,207	\$ 169,062,145	\$ 174,338,471	\$ 176,469,005	\$ 181,763,075
Debt Service to Revenue (Total)	6.12%	6.68%	6.52%	6.86%	7.48%	9.92%	9.70%	9.91%	10.00%	9.96%
Benchmark	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%



Note: Prior calculations of this measurement have been restated due to the prepayment of principal. These principal payments made in advance were in order to avoid a balloon payment that was due in the near future.

Occupancy Trends

The university is contractually obligated to maintain an operating reserve equal to at least 5% of prior year's expenses in the Residence Hall Trust Fund; we ended FY18 at 7.5%. A significant decline in rate-paying student housing occupants over the last several years is creating a financial challenge in meeting this obligation for FY19, before accounting for the additional costs of future repair bonds. Fall 2018 occupancy is down 123 students from the prior year and budget, which is about a \$1.2 million or 5.7% revenue shortfall versus the \$21.2 million budget.



Risks

1. *If we defer the project:* We have already experienced leaks that impacted students' residential experience. At worst case, the plumbing could fail. If so, up to 600 students would be disrupted and have to be relocated (if beds are available); the state of the halls could lead to negative student experience and retention and unfavorable word of mouth messages impacting future student enrollment. A best case would be the lack of a major failure until sufficient resources are available to commit to fund the project.
2. *If we proceed with the project:* At worst case, if housing occupancy continues to decline we could have eroded our housing reserves and be required to support the RHTF through general operating budget of the university. Technically, if the university found itself unable to make the assessment payment, the MSCBA could trigger an intercept of state appropriation for not only Salem State but also the other state universities. However, the university would avoid that by paying the assessment from general operating revenues, meaning that less funding would be available for compensation and other general operating expenses of the university. A best case is that the university is able to afford the increased assessment expense and the significantly new and improved bathrooms become a positive factor in student satisfaction, enrollment, and residential life.

Next Steps:

It is clear the project is needed, although we are trying to finesse the timing for affordability purposes in light of occupancy trends. The university is preparing financial/occupancy scenarios to assess the impact of the increased assessment expense related to the repair bonds, while the MSCBA proceeds with cost estimating. Salem State is not making a recommendation to the board of trustees at this time. A recommendation to move forward, should it occur, may unfortunately require a special meeting of the finance and facilities committee and the full board for approvals, to coordinate with a January 2019 MSCBA debt issuance.

MSCBA's actions

MSCBA will issue debt for a variety of repair projects in January 2019 across several campuses and is in process of pursuing its routine Board and regulatory approvals. MSCBA will continue to include the Peabody/ Bowditch project in its planning, but will not commit to the debt or major contracts until the university's board of trustees has formally approved the plan. For example, for the Oct. 2, 2018 MSCBA Board meeting, a Declaration of Official Intent to reimburse MSCBA for project funds it may expend prior to the bond issuance will provide maximum flexibility for MSCBA, but not obligate MSCBA (nor the university) to undertake this project in summer 2019.

Attachments:

1. Fall 2018 Occupancy Certificate
2. MSCBA description of Peabody/Bowditch project
3. Key Aspects of Off-Book Debt (presented to SSU Finance and Facilities Committee, February 2017)

John D. Keenan, President
 C/o Rebecca Jimenez, Senior Director of Resident Life
 Salem State University

FROM: Edward Adelman, Executive Director
 DATE: September 7, 2018
 SUBJECT: RESIDENCE HALL OCCUPANCY - FALL SEMESTER 2018/FY2019

For purposes of reporting to the Board of Higher Education and the Massachusetts State College Building Authority Board, please complete the following form with the number of students housed in residence halls for the fall 2018 semester and include the certification date. Please note: We ask that all occupants are reported, including Resident Advisors. Return the form via email to Karol Ostberg at kostberg@mscba.org by Friday September 14, 2018 and mail the original signed form as soon as possible thereafter.

Fall assessment notices will be sent out by Friday, September 21, 2018 for payment to US Bank Corporate Trust by Friday, September 28, 2018.

We very much appreciate working with you and your staff for the benefit of your students and Salem State University.

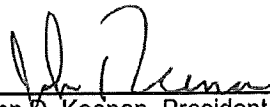
Instructions: Please add occupancy numbers and the certification date in the orange cells below. Additionally, please place an "X" in the box that best describes rent and compensation for Resident Advisors.

Fall Residence Hall Occupancy Certification

Residence Hall	Design Occupancy		Actual Occupancy			% Occupied		# of RAs Fall 2018
	Fall 2017	Fall 2018	Fall 2017	Fall 2018	% Change	Fall 2017	Fall 2018	
Bates	354	354	323	301	(6.8%)	91.2%	85.0%	11
Bowditch Hall	276	276	296	283	(4.4%)	107.2%	102.5%	12
Peabody Hall	322	322	358	329	(8.1%)	111.2%	102.2%	12
Subtotal - System	952	952	977	913	(6.6%)	102.6%	95.9%	35
Atlantic Hall	452	452	445	419	(5.8%)	98.5%	92.7%	10
Marsh Hall	525	525	484	462	(4.5%)	92.2%	88.0%	15
Viking Hall	353	353	337	326	(3.3%)	95.5%	92.4%	10
Subtotal - Campus	1,330	1,330	1,266	1,207	(4.7%)	95.2%	90.8%	25
Total	2,282	2,282	2,243	2,120	(5.5%)	98.3%	92.9%	60

Certification Date:

- Resident Advisors are charged rent and are compensated through a housing stipend
- Resident Advisors are charged a reduced rent and do not receive a housing stipend
- Resident Advisors are not charged rent
- Other (please describe):

Signed 
 John D. Keenan, President

cc: Karen House, Vice President for Finance and Business (CFO) - SAL
 Jon Amari, Associate Director, Budget and Continuous Improvement

Project Summary

The bathrooms in Peabody and Bowditch halls have been experiencing major leaks due to failing plumbing in recent years. The following list details some existing conditions of these bathrooms:

- Cast iron drain bodies are deteriorating in the showers
- Condition of the vents is worsening, and vents are disengaging from the trap system
- Vertical drains have been splitting due to the age of the pipes
- Pipes have dried out, possibly due to having been cleaned with hydrochloric acid years ago which may have exacerbated the deterioration
- Drain pipes are clogged due to corrosion and residue build up
- Grout in the tile has worn away and cracked in many locations, letting water through and becoming a major contributing factor to the leaks
- Original domestic cold water piping and hot water supply and recirculation needs to be replaced due to poor condition of copper material and lead-containing solder joints
- Shower valves are in poor condition

As a result of this ongoing deterioration, the University has had to close bathrooms on more than one occasion during the academic year to conduct repairs. Since there is currently only one bathroom on each floor, students on the affected floor need to go up or down a floor to use the bathroom while their bathroom is closed. This is incredibly disruptive to both the students who must travel to use another bathroom, and to the students who then need to share a bathroom with twice as many others. Both Peabody and Bowditch exclusively house first year students. Having such extreme facility problems impacts first year students’ opinions about living on campus and negatively affects retention. The facilities department has worked to the best of their ability to react when these major leaks occur, but this is not a sustainable practice. The plumbing system is truly beyond repair. Photos attached below for reference.

These conditions are not unlike those MSCBA has encountered recently at other state Universities, most notably Fitchburg and Bridgewater. Cast iron piping of approximately the same age has deteriorated and failed in a number of buildings. In the past 5 years, MSCBA has completed major bathroom renovation projects at the following residence hall complexes:

Campus	Building	Year Built	Year of Bathroom Reno
Fitchburg	Russell Towers	1960	2018-2019
Bridgewater	Dinardo Hall	1989	2018
Bridgewater	Miles Hall	1989	2017
MCLA	Berkshire Towers	1972	2017
Bridgewater	Woodward Hall	1912	2015
Mass Maritime	Companies 1 and 2	1971	2015
Westfield	Dickinson Hall	1966	2015
Mass Maritime	Company 3	1973	2014
Bridgewater	Shea Durgin Hall	1967	2014
Westfield	Davis Hall	1966	2014
Mass Maritime	Company 4	1973	2013
Mass Maritime	Company 6	1976	2013
Fitchburg	Aubuchon Hall	1967	2013
Mass Maritime	Company 5	1976	2012
MCLA	Hoosac Hall	1967	2012

(Note: Peabody and Bowditch were built in 1965.)

MSCBA engaged a design and construction team in Spring 2018 to begin looking into the issues at Peabody and Bowditch. The team did exploratory work over this past summer to inform the design and provide the most accurate cost information. When the plumbing system was assessed by our engineers, this was their recommendation:

“The existing extra heavy cast iron gravity sanitary waste and vent piping for the toilet rooms fixtures and floor drains shall be completely removed up to the underside of the roof. System shall be replaced by new no-hub cast iron stacks and branches on each floor. All piping should be removed. All new piping to serve the toilets shall be installed for the new fixtures and equipment. Materials shall either be copper with press-fit fitting or CPVC piping with solvent welded fittings.”

The primary driver of the future renovation project is to replace the aging and failing bathroom infrastructure. However, the design will also implement code improvements, reconfigure the layout to create two multi user bathrooms and a single user gender neutral accessible bathroom on each floor, and provide an updated aesthetic. Renovated bathrooms in these buildings will surely become an attractive feature for prospective students and will raise these older buildings to the standards that the newer buildings have set for the quality of Salem State’s on-campus housing. It will also put Salem’s first year housing in line with that of other State Universities.

The design and construction team provided a price to simply replace the failed piping and patch the walls and ceilings back in (without replacing the tile or fixtures or any other finishes), but even just this cost was so high that it would still require an increase to student rents. It did not seem fair to ask students to pay for pipe replacement without getting any other benefits in return.

As both buildings are in equally poor condition, there isn’t an opportunity to prioritize one over the other. However it is still possible to split the project into two phases or defer the project until summer 2020. The infrastructure problems are only going to get worse the longer we wait to complete this project, and it is risky enough to try to get through this current academic year with the failing condition of the pipes. It certainly will not help increase occupancy to have these ongoing problems for two years, nevermind the one ahead of us right now. It is inevitable that more bathrooms will have to close at some point this year for repairs.

It is for all these reasons that MSCBA will continue to work closely with Salem State to keep this project as affordable as possible with the goal to implement it as soon as possible.

Photographs:



Cracked sanitary drain riser in the wall



Cracked drain removed for repairs in Spring 2018



Cracked horizontal drain line above the ceiling



Deteriorating shower vent



Pipes removed this summer from Bowditch Hall (above and below)



Key Aspects of “Off-Book Debt” Attachment K (i.e. MSCBA owned projects)

- The bonds are legally issued by Massachusetts State College Building Authority (MSCBA)
- The project funded by the debt is owned by MSCBA and is an asset on their books
- There is a ground lease between the landowner and MSCBA. For the landowner, the parties are either Commonwealth (through DCAMM and Board of Higher Education) or SSUAC.
- Salem State University is contractually obligated to transfer funds to MSCBA with which the MSCBA will make the debt service payments
- Salem State University collects rents and other fees to generate the cash to transfer to MSCBA
- There is a contract between MSCBA and the Commonwealth via Board of Higher Education which spells out rights and obligations. Under the contract, there is a pledge that the university has 25% of the average annual debt service available as additional security, from non-appropriated funds or other available revenues, including tuition, fees and other charges. The university is required to certify to this pledge twice-annually
- If Salem State University has insufficient funds to transfer to MSCBA, the MSCBA will inform the Comptroller of the Commonwealth who will “intercept” the remaining unspent appropriation for that fiscal year, which would make those appropriation funds unavailable to the university, until the insufficiency is corrected. The university typically applies all operating appropriations to pay salaries because the Commonwealth will then cover the associated fringe benefits costs. *Note: the Comptroller will intercept all appropriations due to all nine campuses, without regard to the source of the insufficiency, if the appropriations of the campus with the insufficiency are insufficient.*
- The full faith and credit of the Commonwealth does not back or guaranty the debt, under a 1998 change to MSCBA’s enabling statute

REQUEST FOR TRUSTEE ACTION

Date: September 25, 2018
To: Board of Trustees
From: Karen P. House, vice president for finance and facilities
Subject: Peabody/Bowditch residence halls plumbing project
Requested Action: Approval

MOTION

The Finance and Facilities Committee recommends that the Board of Trustees approve the following motion regarding the Peabody/Bowditch residence halls plumbing project and debt.

Recommended motion

The Board of Trustees of Salem State University, working with the Massachusetts State College Building Authority (MSCBA), hereby approves the Peabody/Bowditch Bathroom Renovations project described in Exhibit A. The total project cost will not exceed \$9.5 million. The project is to be financed through a combination of previous project savings of \$200,000, system reserves of \$2 million and proceeds through the sale of revenue bonds issued by the MSCBA not to exceed a maximum of \$7.3 million for this project. The increase in Salem State’s assessment expense will be covered through future rate increases for residential students (approximately \$260 per residential student per year, at current occupancy levels, or 2.6% rent increase per year).

The president and vice president for finance and facilities of the university are hereby authorized to do all things and take all actions necessary to implement this decision. This action shall be effective upon its approval by the Board of Trustees.

Committee Assigned: Finance and Facilities
Committee Action: Approved September 26, 2018
Date of Action: September 26, 2018

Trustee Action:

Trustee Approval Date:

Effective Date:

Signed: _____

Title: Secretary of Board of Trustees

Date: _____

Peabody & Bowditch Bathroom Renovations – Description of Project

The primary driver of the bathroom renovation project is to replace aging and failing bathroom infrastructure. MSCBA engaged a design and construction team in Spring 2018 to begin looking into the issues at Peabody and Bowditch. The team did exploratory work over the summer of 2018 to inform the design and provide the most accurate cost information. The engineers made these recommendations regarding the plumbing:

“The existing extra heavy cast iron gravity sanitary waste and vent piping for the toilet rooms’ fixtures and floor drains shall be completely removed up to the underside of the roof. System shall be replaced by new no-hub cast iron stacks and branches on each floor. All piping should be removed. All new piping to serve the toilets shall be installed for the new fixtures and equipment. Materials shall either be copper with press-fit fitting or CPVC piping with solvent welded fittings.”

However, the design will also implement code improvements, reconfigure the layout to create two multi user bathrooms and a single user gender-neutral accessible bathroom on each floor, and provide an updated aesthetic. Renovated bathrooms in these buildings will surely become an attractive feature for prospective students and will raise these older buildings to the standards that the newer buildings have set for the quality of Salem State’s on-campus housing. It will also put Salem’s first year housing in line with that of other State Universities.

The project may be implemented in one or two phases based on conditions and pricing information acquired from exploratory investigations completed by the Design and Construction team in the summer of 2018.

SUBJECT: Risk Management and Audit Committee Meeting Report for September 26, 2018

The Risk Management and Audit Committee of the Board of Trustees met on Wednesday, September 26, 2018, in the Paul Petrowski Conference Room located in Marsh Hall on the Central Campus of Salem State University.

Present for the Committee: Trustees Lutts (chair), DeSimone, Katzman, Chair Mattera (ex-officio), President Keenan (ex-officio). Also present and participating Vice President House (committee co-liaison), Assistant Vice President Labonte (committee co-liaison), General Counsel Colucci and staff assistant Beaulieu.

Absent for the Committee: Trustee Zahlaway-Belsito (vice chair)

Trustee Lutts, committee chair, called the meeting to order at 6:54 pm.

Committee charter (Attachment A)

The committee charter was presented for information.

Committee work plan for the year (Attachment B)

The committee reviewed the work plan for this year's meetings.

Annual Risk Report (Attachment C)

Susan Hacker, the university's risk management coordinator, was introduced. She is responsible for the bulk of the work in preparing the annual risk report and shepherds the process. Discussion ensued regarding mitigating risks, threat assessment and a suggestion regarding signs.

FY18 annual report of president's expenses (Attachment D)

Review of FY18 presidential expenses was performed as per the committee's charter. During the year, as presidential reimbursements are requested, the board chair reviews and approves them contemporaneously.

Status of FY18 audit

The FY18 audit is underway. Draft OPEB information from the Commonwealth required for the financial statements arrived late and lack of final OPEB information may impact completion of the audited financial statements on time. The special Risk Management and Audit Committee meeting to discuss the audit is scheduled on October 10, 2018 meeting at 4 pm. Volume in grants (Federal financial aid, TRIO program and Small Business Development Center) has increased the scope of the audit. Preliminary results identified four possible findings.

Post Audit Review of State Audit (Attachment E)

The official Post-Audit Review issued on May 29, 2018 describes the status of follow up actions.

Executive session

Trustee Katzman **MOVED** and Trustee DeSimone **SECONDED** a motion to enter into executive session in accordance with General Laws, Chapter 30A, for discussing litigation. A roll call vote was taken at 7:20 pm and it was unanimous to enter into executive session.

Voting in the affirmative: DeSimone, Katzman, Lutts

Voting against: None

Trustee DeSimone **MOVED** and Trustee Katzman **SECONDED** a motion to exit executive session in accordance with General Laws, Chapter 30A. A roll call vote was taken 7:38 pm and it was unanimous to exit executive session.

Voting in the affirmative: DeSimone, Katzman, Lutts

Voting against: None

There being no further business to come before the committee, Trustee Katzman moved and Trustee DeSimone seconded a motion to adjourn.

MOTION: to adjourn the meeting

The motion passed.

The meeting adjourned at 7:39 pm.

Prepared by: D. Beaulieu, staff assistant, finance and facilities

Risk Management and Audit Committee Charter

The charter attached is for your information and as a matter of good practice at the start of the board year. No changes are recommended.



Board of Trustees Risk Management and Audit Committee Charter

Purpose:

The Risk Management and Audit Committee of the Board of Trustees shall be a permanent committee which will be active and involved in the discussion of the university's efforts to review, develop, and implement guidelines and policies to govern the process by which risk management and the annual audit are undertaken by the institution. This committee will provide reports to the Salem State University Board of Trustees as required.

Responsibilities:

Risk Management

1. Within the broad scope of enterprise risk management, this committee will set the policies necessary to guide the university's endeavors as it seeks to achieve the highest levels of effectiveness and efficiency, while minimizing risk.
2. Responsible to the board for monitoring the adequacy of internal control systems, review processes, and for providing a policy framework for an effective and independent audit and risk assessment function for the university and to carry out such functions of the Board of Trustees as directed from time to time.
3. Ensure the safety and security of the campus and compliance with laws and regulations fundamental to Salem State's continued success (including but not limited to Chapter 647 of the Acts of 1989, an act relative to improving internal controls within state agencies).
4. Establish and maintain a risk assessment team that will identify and prioritize risks to report to the board.
5. Determine the range of services, if any, needed to address risk concerns.
6. Oversee legal and financial compliance including but not limited to policies on Conflict of Interest and Whistleblower.

External Audit

1. Annually consider the appointment of the external auditor.
2. Review and approve the terms of engagement and fees of the external auditor at the start of each audit.
3. Consider and review the scope of work, reports and activities of the external auditor.
4. Review and evaluate the findings of the yearly audit with the external auditor.

12/2/2015 Approved by the Salem State University Board of Trustees.
3/29/2017 Reviewed by the Risk Management and Audit Committee, no changes.

5. Review with committee and external auditors significant accounting and reporting principles, practices, and procedures applied by the institution in preparing its financial statements.
6. Review and make recommendations to the board regarding financial, accounting and reporting issues.
7. Oversight/review of presidential expenditures.

Membership:

The committee shall have not fewer than three Trustees appointed by the chair of the Board. The president shall be a member of the committee, ex officio, non-voting. The chair shall be a member of the committee, officio voting. Committee members may include individuals who are not trustees so long as the majority membership of the committee is comprised of trustees. The chair shall have the authority to appoint non-trustee members advisory, non-voting to the committee to serve until the next annual meeting. Members may be appointed to the committee, on a temporary basis, by the chair, as may be required.

Quorum:

A majority of the members shall constitute a quorum.

Meetings:

The committee is expected to meet at least four times each fiscal year and more if needed to facilitate prudent and timely decision making. The meetings shall be conducted in conformity with the state's Open Meeting Law. Executive sessions may be conducted periodically and shall be limited to those matters permitted by the state's Open Meeting Law.

Agenda, Minutes, and Reports:

The chair of the committee, in collaboration with the staff designees, shall be responsible for establishing the agendas for meetings. An agenda, together with relevant materials shall be made available to committee members at least five days in advance of the meeting. Minutes for all meetings shall be drafted by the staff designee, reviewed by the committee chair, and approved by committee members at the following meeting.

Risk Management and Audit Committee Work Plan for FY19

September 26, 2018 w BOT Oct. 17, 2018

- Committee charter (information)
- Committee work plan for the year (discussion)
- Annual risk assessment report
- FY18 annual report of president's expenditures (information)
- Audit Matters
 - FY18 audits
 - Post Audit Review (State Audit) (information)
- Executive Session
 - Litigation
 - Campus safety

October 10, 2018 Special RMA Meeting re Audit

- Review and recommend acceptance of FY18 audit (auditors in attendance)

January 30, 2019 w BOT Feb. 13, 2019

- Clery Report (discussion)
- Discussion of upcoming accounting standard changes, with auditors in attendance
- Executive Session
 - Litigation

March 27, 2019 w BOT April 10, 2019

- Enterprise Risk Management (ERM) at SSU (discussion)
- Executive Session
 - Litigation
- Approval of auditors for FY19

May 22, 2019 w BOT June 5, 2019

- Insurance as an element of risk management (discussion)
- Executive Session
 - Litigation



2018 Risk Report

August 9, 2018

Prepared by:

Susan Hacker, Risk Management Coordinator

Gene Labonte, Assistant VP of Public Safety and Risk Management

Rita Colucci, General Counsel

Table of Contents

Introduction..... 1

Heat Map for 2018 4

Risks Identified for 2018:

- R1 – Enrollment and Retention5
- R2 – Physical Infrastructure 6
- R3 – Disclosure of Confidential Data..... 7
- R4 – General Campus Safety 8
- R5 – Disaster Recovery of the Data Center 9
- R6 – Inclusion and Belonging 10
- R7 – Student Travel 11
- R8 – Accessibility of Course Materials 12
- R9 – Environmental Health and Safety 13
- R10 – Building Security..... 14
- R11 – Campus Events 15
- R12 – Transportation 16
- R13 – Experiential Learning 17

Appendix – Status Update for Risks Sufficiently Mitigated since 2017:

- A – Classroom Configuration and Technology 18
- B – Business Intelligence Capability 19

Introduction

Purpose

The purpose of this report is to provide the administration and Board of Trustees of Salem State University with a broad overview of the risk landscape that the university is currently facing. This report was developed by the university's Internal Control Committee, which includes representatives from all of the major divisions of the university. The primary responsibility of the committee is to fulfill the mandate of Chapter 647 of the Acts of 1989, which requires all state agencies to ensure sufficient internal controls have been established to mitigate potential risks. Current members of the Internal Control Committee are listed below:

Nicole Bousquet, Foundation Controller
Tom Cesso, Chief Information Security Officer
Corey Cronin, Assistant VP of Marketing and Creative Services
Neal DeChillo, Associate Provost for Academic Affairs
Laura DiChiara, Director of the Student Navigation Center
Nicole Giambusso, Director of Public Relations
Lauren Hubacheck, Assistant Dean of Student Success and Transition
Karen Johnson, Associate Director of Accounts Payable
Heidi Kardenetz, Staff Assistant – Facilities
Vickie Ross, Coordinator for Academic Affairs and Governance
Emily Topacio, Director of Talent Management – Human Resources
Megan Williams, Director of Research Administration
Evelyn Wilson, Director of Purchasing and Vendor Relations

Methodology

The Internal Control Committee fulfills its mandate by performing a university-wide risk assessment based upon the principles of enterprise risk management. These principles provide a systematic method for identifying the most significant risks to an institution. Each step of this process is described in detail below.

Objectives

The first step in performing a university-wide risk assessment is to identify the objectives of the university. These objectives will include strategic and operational goals as well as reporting and compliance requirements.

Risks

Once the university's objectives have been defined, obstacles to achieving these goals are identified. Defining these risks is essential to ensuring that the university will achieve its goals. The risks described in this report represent a wide range of potential events that could threaten the safety of students, employees, and visitors, as well as the assets, operations, and reputation of the university.

Risk Champions

Each risk is assigned to a risk champion. The risk champion is the individual at the university who holds primary responsibility for addressing the risk and coordinating mitigation strategies. In most cases, a coordinated approach that includes many other individuals at the university as well as external parties is required to sufficiently address a risk. The risk champion is responsible for overseeing these efforts.

Rating Scale

Each risk is scored using two factors – likelihood and impact. Likelihood represents the probability that a particular risk event will occur, and impact represents the extent to which the event would be detrimental to the institution if it were to occur. The rating scale utilized for each of these factors is shown in the chart below:

		Impact				
		1 = Insignificant	2 = Low	3 = Moderate	4 = High	5 = Critical
Likelihood	5 = Expected	5	10	15	20	25
	4 = Highly Likely	4	8	12	16	20
	3 = Likely	3	6	9	12	15
	2 = Somewhat Likely	2	4	6	8	10
	1 = Unlikely	1	2	3	4	5

Risk Levels

Multiplying the scores for likelihood and impact results in a cumulative risk score. These scores are categorized into four risk levels, ranging from urgent to well controlled. The definitions of each of these risk levels are provided below:

- Urgent (Risk Scores 15-25, shaded red): The university will not accept a risk at this level. Mitigation strategies must be established for these risks. These strategies must be extensive enough to reduce the risk level within a short period of time.
- Needs to be Addressed (Risk Scores 8-14, shaded orange): The university will accept a risk at this level. Mitigation strategies should be established to reduce the risk level within a reasonable period of time.
- Acceptable (Risk Scores 3-7, shaded yellow): The university will accept a risk at this level. Mitigation strategies should be established to reduce the risk, but only as resources become available.
- Well Controlled (Risk Scores 1-2, shaded green): The university will accept a risk at this level. No additional mitigation is required. These risks should be analyzed to determine whether they are being over-managed, so that resources can be redeployed to more pressing issues.

Mitigation Strategies

Each risk champion is responsible for developing an action plan to further mitigate the risk. These plans typically represent actions that will be taken in the upcoming year, but may also include actions that will take multiple years to accomplish.

References to the Prior Year Risk Reports

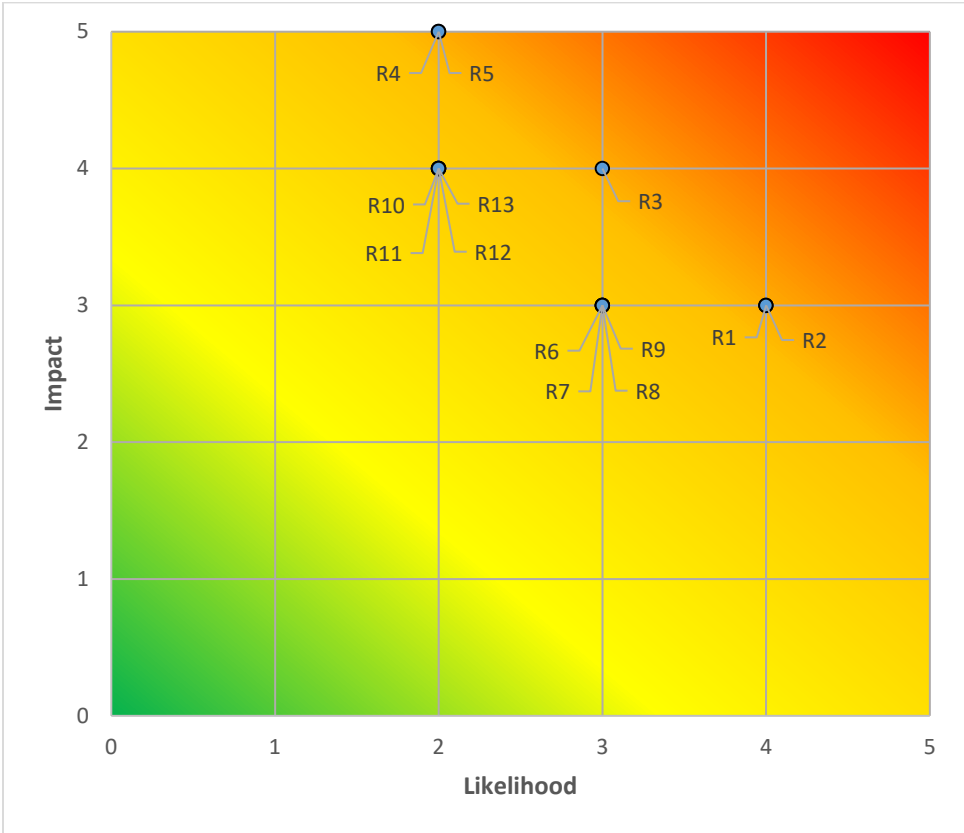
Because this report represents the results of the current year's risk assessment, it can be read as a stand-alone document. References are also included to the prior year risk reports as applicable, to enable the reader to gain an understanding of the progress that has been made in mitigating these risks over the past year.

Status Updates for Risks Sufficiently Mitigated since the Prior Year

Several of the risks included in the prior year's report have been mitigated to such an extent that they are no longer considered significant risks to the university. These risks are included in the appendix to this report.

Heat Map for 2018

The following heat map depicts the risk scores associated with each of the risks identified by the 2018 risk assessment. Detailed information related to each of these risks is provided in the next section.



Legend:

R1 – Enrollment and Retention	R8 – Accessibility of Course Materials
R2 – Physical Infrastructure	R9 – Environmental Health and Safety
R3 – Disclosure of Confidential Data	R10 – Building Security
R4 – General Campus Safety	R11 – Campus Events
R5 – Disaster Recovery of the Data Center	R12 – Transportation
R6 – Diversity and Inclusion	R13 – Experiential Learning
R7 – Student Travel	

Risk No.	1		
Name of Risk	Enrollment and Retention		
Risk Champion	Scott James, Executive Vice President; Cynthia McGurren, VP of Institutional Advancement; and David Silva, Provost and VP of Academic Affairs		
Objective	Ensure the university has a strong financial foundation.		
Risk Descriptions: <u>Financial</u>	Decreased enrollment could lead to a loss of revenue from tuition, fees, room and board.		
<u>Operational</u>	A loss of revenue could impede the university's ability to provide its student body with high-quality educational and co-curricular opportunities.		
	2016	2017	2018
Ratings:			
Likelihood	N/A	N/A	4
Impact	N/A	N/A	3
Cumulative Score	N/A	N/A	12
Risk Level	N/A	N/A	Needs to be Addressed
Reference to Prior Year Reports:	N/A	N/A	
Current Status	<p>Demographic shifts have caused high school graduation rates to decline in recent years, particularly in the northeast. Despite this trend, enrollment and retention rates have remained relatively level due to various initiatives that have been pursued throughout the university.</p> <p>Admissions and institutional advancement continue to engage in extensive communication and outreach to alumni, who number over 60,000. This outreach has increased the sense of pride among alumni. Many alumni serve as ambassadors who assist in recruiting efforts, mentors who provide support to current students, and advocates who seek greater funding support from the Commonwealth.</p> <p>Academic affairs continues to seek out initiatives that appeal to current and prospective students. New degree programs have been created in disciplines that have high student demand and strong career prospects, including accounting, athletic training and information technology. Various external partnerships have been pursued, including sponsorship of the "Summer at Salem State" series in collaboration with the National Park Service.</p>		
Mitigation Strategy	<p>New initiatives that are planned for FY19 include increasing marketing efforts targeting traditional undergraduate first year students, transfer students, and adult students. Modeling will continue to be used to allocate financial aid funds more strategically. Planning for a doctorate program in occupational therapy is underway. The first annual "TEDxSalemStateUniversity" will be held in September 2018.</p>		

Risk No.	2		
Name of Risk	Physical Infrastructure		
Risk Champion	Ben Szalewicz, Assistant VP of Capital Planning – Facilities		
Objective	Create a safe and welcoming environment for all members of the campus community.		
Risk Descriptions:			
<u>Financial</u>	Postponing deferred maintenance in the short term could lead to increased costs in the long term due to the need for expensive repairs and increases the likelihood of emergency shutdowns due to catastrophic failure of a building component or system.		
<u>Reputational</u>	Facilities that are in poor or deteriorating conditions may fail to meet the expectations of students, which can negatively affect recruitment.		
<u>Compliance</u>	The failure to make facilities accessible could lead to non-compliance with the Americans with Disabilities Act (ADA).		
	2016	2017	2018
Ratings:			
Likelihood	4	4	4
Impact	3	3	3
Cumulative Score	12	12	12
Risk Level	Needs to be Addressed	Needs to be Addressed	Needs to be Addressed
Reference to Prior Year Reports:	Risk No. 8, Backlog of Deferred Maintenance	Risk No. 1, Backlog of Deferred Maintenance; Risk No. 10, Campus Accessibility	
Current Status	<p>University buildings are owned by either the Division of Capital Asset Management and Maintenance (DCAMM) or the Massachusetts State College Building Authority (MSCBA). The university shares responsibility for maintaining these buildings with DCAMM and MSCBA. The facilities department continues to seek out opportunities to procure funding from the state. A proposal to build a science teaching lab addition to Meier Hall was submitted in FY18 as part of the state budgeting process. The state has classified this project as a Readiness Determination Project.</p> <p>The facilities department also receives matching funds for projects through the deferred maintenance funding program managed by DCAMM. The amount of funding from DCAMM has increased significantly in recent years.</p>		
Mitigation Strategy	<p>The facilities department has set aside funding of \$2.5 million in its FY19 budget for campus projects. DCAMM has awarded matching funds of over \$1.2 million towards these projects for FY19.</p> <p>The ADA coordinator is in the process of expanding the charge of the ADA committee to include the task of identifying and prioritizing projects that will make the campus more accessible.</p>		

Risk No.	3		
Name of Risk	Disclosure of Confidential Data		
Risk Champion	Curt King, Chief Information Officer		
Objective	Ensure confidential data maintained by the university is secure.		
Risk Descriptions:			
<u>Reputational</u>	The failure to secure Personally Identifiable Information (PII) may allow unauthorized parties to access this information, which could lead to identity theft.		
<u>Compliance</u>	The failure to secure PII could also lead to non-compliance with the Family Educational Rights and Privacy Act (FERPA), Payment Card Industry (PCI) standards, as well as other federal and state regulations.		
	2016	2017	2018
Ratings:			
Likelihood	3	3	3
Impact	4	4	4
Cumulative Score	12	12	12
Risk Level	Needs to be Addressed	Needs to be Addressed	Needs to be Addressed
Reference to Prior Year Reports:	Risk No. 4, Data Intrusion; Risk No. 16, Mishandling of Personally Identifiable or Identifying Information	Risk No. 2, Disclosure of Confidential Data	
Current Status	The office of information technology services has implemented various controls to protect confidential data, to include firewalls, anti-malware scanners and automated logging of employee interactions with networked folders. A password policy was implemented during FY18, which defines requirements for strong passwords, as well as time limits for changing passwords. The office of information security provides information security awareness training to employees upon hire.		
Mitigation Strategy	The office of information technology services and the office of information security continue to pursue strategies to improve the security of university data. Online training options for information security awareness are being explored so that this training can be provided to employees on an annual basis.		

Risk No.	4		
Name of Risk	General Campus Safety		
Risk Champion	Gene Labonte, Assistant VP of Public Safety and Risk Management		
Objective	Create a safe environment for all members of the campus community.		
Risk Description: <u>Operational</u>	A significant threat to campus security could occur, which could lead to injury or loss of life.		
	2016	2017	2018
Ratings:			
Likelihood	3	2	2
Impact	5	5	5
Cumulative Score	15	10	10
Risk Level	Urgent	Needs to be Addressed	Needs to be Addressed
Reference to Prior Year Reports:	Risk No. 3	Risk No. 5	
Current Status	<p>Campus safety continues to be a top priority, due to the extensive range of potential threats to campus and the unpredictable nature of these threats. University Police continues to explore new safety-related technologies and equipment to improve its response capabilities. University Police works closely with local and state police on matters of mutual concern.</p> <p>University Police offers various educational opportunities for the campus community, including campus safety awareness workshops and active shooter training. University Police takes an all-hazard approach for training, which is focused on threat recognition, information sharing and response and survival strategies.</p> <p>University Police encourages a "if you see something, say something" culture. Students and employees are instructed to report individuals exhibiting suspicious behavior to University Police or to the Student Life Care and Concern Team. This team works in collaboration with University Police and Student Life professionals and acts as a first line of defense by analyzing threads of information from various sources that, when connected, may identify threats to the campus community. Significant threats are forwarded to the Threat Assessment Team for further evaluation.</p>		
Mitigation Strategy	University Police continues to enhance its educational initiatives with a focus on providing ongoing training for current students. University Police and Student Life continue to review and document existing procedures to ensure that internal communication channels are streamlined, cases are being tracked, and follow-up is being performed.		

Risk No.	5		
Name of Risk	Disaster Recovery of the Data Center		
Risk Champion	Curt King, Chief Information Officer		
Objective	Ensure essential functions can continue in the event of a disaster.		
Risk Description: <u>Operational</u>	The university's data center could lose functionality due to physical damage or a cyber attack, which could prevent employees from being able to access critical systems or the information maintained by those systems for a significant period of time.		
<u>Reputational</u>	The inability to perform essential functions (e.g., registration) for an extended period of time could damage the university's reputation.		
	2016	2017	2018
Ratings:			
Likelihood	2	2	2
Impact	5	5	5
Cumulative Score	10	10	10
Risk Level	Needs to be Addressed	Needs to be Addressed	Needs to be Addressed
Reference to Prior Year Reports:	Risk No. 10, Data Center Disaster Recovery	Risk No. 6, Disaster Recovery of the Data Center	
Current Status	<p>Many critical systems are hosted in the data center, including the system of record for student and financial data. The location of the data center makes it susceptible to various physical dangers such as burst pipes and electrical fires. In the event the data center is not operational, the estimated downtime of critical systems is eight weeks.</p> <p>The office of information technology services and the office of information security held tabletops during FY18 to discuss the various options for shortening the potential downtime of critical systems, to include building a secondary data center that is fully functional and moving systems into the cloud. A secondary data center is currently being constructed. However, the current estimated time to complete this project is two years.</p>		
Mitigation Strategy	<p>Various departments have developed business continuity plans that describe how they will function in the event of a disaster. Each department should ensure its plan is feasible by performing a business impact analysis to measure how a system outage would affect the essential functions of the department. Each department should determine how long it could continue to function during a system outage.</p> <p>The office of information technology services should develop a disaster recovery plan and test this plan by conducting a full simulation to confirm that the system could be recovered in the event of an outage.</p>		

Risk No.	6		
Name of Risk	Inclusion and Belonging		
Risk Champion	Rebecca Comage, Interim Chief Diversity and Inclusion Officer		
Objective	Ensure all members of the campus community experience a sense of inclusion and belonging.		
Risk Description: <u>Reputational</u>	Members of the campus community may feel devalued, which could lead to lower enrollment and retention rates for students and lower recruitment and retention rates for staff and faculty. In addition, members of the campus community could express their concerns by engaging in protests, which could draw negative media attention to the university.		
	2016	2017	2018
Ratings:			
Likelihood	4	3	3
Impact	4	3	3
Cumulative Score	16	9	9
Risk Level	Urgent	Needs to be Addressed	Needs to be Addressed
Reference to Prior Year Reports:	Risk No. 1, Diversity and Inclusion	Risk No. 7, Diversity and Inclusion	
Current Status	<p>The university strives to ensure that all members of the campus community feel respected and valued. In partnership with various departments, the office of inclusive excellence has established multiple opportunities for development and dialogue.</p> <p>Protocols to report bias incidents have been developed and communicated widely. The bias response team has developed a workflow for bias reporting. The team, which is co-chaired by the Dean of Students and Chief Diversity and Inclusion Officer, will perform an initial review of bias reports to determine how each report should be handled. In addition, a comprehensive climate study was completed during FY18, which provided an opportunity for the campus community to express concerns on a wide range of topics. An implementation team has been created to develop action plans to address concerns that were raised by survey respondents.</p> <p>Black Brown and Proud is a movement founded by students of color in January 2016. This group was concerned about the lack of support they were receiving from the university and brought their concerns to university administration. Since that time, the President's Executive Council has held monthly meetings with representatives from this group to assess progress that has been made to address their concerns.</p>		
Mitigation Strategy	University administration continues to engage in an open dialogue with the student body and the larger campus community. The climate study implementation team will be developing recommendations to further this work during FY19 based upon their analysis of the climate study results.		

Risk No.	7		
Name of Risk	Student Travel		
Risk Champion	Gene Labonte, Assistant VP of Public Safety and Risk Management		
Objective	Ensure the safety of students and employees during participation in university-sponsored programs.		
Risk Description: <u>Operational</u>	Students or employees participating in university-sponsored programs may be injured due to a lack of safety precautions. International travel is of particular concern due to the potential for civil unrest in many countries.		
	2016	2017	2018
Ratings:			
Likelihood	3	3	3
Impact	3	3	3
Cumulative Score	9	9	9
Risk Level	Needs to be Addressed	Needs to be Addressed	Needs to be Addressed
Reference to Prior Year Reports:	Risk No. 14, Student Travel – International Programs	Risk No. 8, Student Travel	
Current Status	Many students participate in university-sponsored travel, both within the United States and abroad. Departments that manage these trips have developed protocols to ensure the safety of travelers. These departments include the Center for International Education which manages international trips led by faculty, the athletics department which is responsible for student athlete travel, Student Life which handles trips sponsored by student organizations, and academic departments which handle field trips that are associated with specific courses.		
Mitigation Strategy	The Center for International Education has hired a full-time coordinator who is currently analyzing processes related to international travel and identifying opportunities for improvement, to include the development of written emergency protocols. In addition, the Center for International Education has identified a software package that would improve the collection of information related to international trips. This software is currently being vetted to determine its feasibility for domestic trips.		

Risk No.	8		
Name of Risk	Accessibility of Course Materials		
Risk Champion	David Silva, Provost and VP of Academic Affairs		
Objective	Ensure students with disabilities have the resources they need to succeed academically.		
Risk Description: <u>Operational</u>	Students with disabilities may struggle in their courses because materials are difficult to access.		
<u>Compliance</u>	The failure to make course materials accessible can lead to non-compliance with the standards of the Americans with Disabilities Act (ADA).		
	2016	2017	2018
Ratings:			
Likelihood	3	3	3
Impact	3	3	3
Cumulative Score	9	9	9
Risk Level	Needs to be Addressed	Needs to be Addressed	Needs to be Addressed
Reference to Prior Year Reports:	Risk No. 15, ADA Compliance for Print and Digital Products	Risk No. 9, Accessibility of Course Materials	
Current Status	<p>The office of disability services has established robust protocols to ensure that accommodations are provided to students with disabilities upon request. However, accommodations for students who need to access course materials online are often more complicated than accommodations for students taking face-to-face courses. If course materials have not been formatted appropriately, screen readers used by students with impaired vision may not be able to translate the content accurately.</p> <p>The office of information technology services provides training to faculty members on how to make digital materials accessible. The office of human resources and the general counsel are developing a university-wide policy that will outline the university's specific responsibilities under the ADA. A web accessibility group has been established to identify additional ways to ensure faculty members have the tools they need to make course materials accessible.</p>		
Mitigation Strategy	The web accessibility group will continue to analyze potential tools for making course materials accessible to better ensure that students have the resources they need to achieve academic success.		

Risk No.	9		
Name of Risk	Environmental Health and Safety		
Risk Champion	Ben Szalewicz, Assistant VP of Capital Planning – Facilities		
Objective	Create a safe environment for all members of the campus community.		
Risk Description: <u>Operational</u>	Students or employees may be injured or placed in dangerous situations due to a lack of safety precautions.		
<u>Compliance</u>	The failure to establish safety precautions can lead to non-compliance with Occupational Safety and Health Administration (OSHA) standards, as well as other federal and state regulations.		
	2016	2017	2018
Ratings:			
Likelihood	N/A	3	3
Impact	N/A	3	3
Cumulative Score	N/A	9	9
Risk Level	N/A	Needs to be Addressed	Needs to be Addressed
Reference to Prior Year Reports:	N/A	Risk No. 11, Workplace Safety	
Current Status	<p>Various departments throughout campus have established safety protocols to protect students and employees from injury. The facilities department has hired a sustainability and environmental health and safety coordinator, who has performed an assessment of these protocols and has made recommendations for improvement as appropriate.</p> <p>Legislation was passed during FY18 that will require state universities to comply with OSHA standards by February 2019. An OSHA task force has been established to analyze current protocols and identify additional actions that will need to be taken to reach full compliance. These actions are expected to complement existing protocols and further improve the safety of workplaces and academic labs.</p>		
Mitigation Strategy	The OSHA task force will continue to analyze current safety protocols and identify areas for further improvement. Additional training opportunities are being explored to ensure individuals exposed to hazardous conditions are aware of appropriate safety precautions. Procedures for reporting injuries as well as near misses are being developed.		

Risk No.	10		
Name of Risk	Building Security		
Risk Champion	Gene Labonte, Assistant VP of Public Safety and Risk Management; Ben Szalewicz, Assistant VP of Capital Planning – Facilities		
Objective	Create a safe environment for all members of the campus community.		
Risk Descriptions: <u>Operational</u>	The failure to control entry to campus buildings increases the likelihood that individuals will enter campus buildings for the purpose of causing harm to people or property.		
	2016	2017	2018
Ratings:			
Likelihood	N/A	3	2
Impact	N/A	4	4
Cumulative Score	N/A	12	8
Risk Level	N/A	Needs to be Addressed	Needs to be Addressed
Reference to Prior Year Reports:	N/A	Risk No. 3	
Current Status	University Police works closely with the facilities department to control and monitor access to campus buildings. Keycard systems have been installed on the main entry doors of most campus buildings, which gives University Police the ability to remotely lock down buildings if needed. Additional entry doors are kept locked at all times. Surveillance cameras have been installed in various locations throughout campus.		
Mitigation Strategy	<p>University police officers regularly patrol the campus to ensure that security protocols are not being circumvented (e.g., checking doors that should be locked). University Police will be installing additional surveillance cameras and replacing outdated or non-operational cameras in critical areas during FY19.</p> <p>The facilities department has hired a full-time locksmith who is currently performing an assessment of all of the physical locks on campus, to include the interior locks on classroom doors. Recommendations for improvement, including an analysis of the amount of the funding required to address the recommendations, will be developed during FY19.</p>		

Risk No.	11		
Name of Risk	Campus Events		
Risk Champion	Gene Labonte, Assistant VP of Public Safety and Risk Management		
Objective	Create a safe and welcoming environment for all members of the campus community.		
Risk Description: <u>Operational</u>	Students or employees may invite controversial speakers to campus without taking appropriate safety precautions, which could create dangerous situations.		
	2016	2017	2018
Ratings:			
Likelihood	N/A	3	2
Impact	N/A	4	4
Cumulative Score	N/A	12	8
Risk Level	N/A	Needs to be Addressed	Needs to be Addressed
Reference to Prior Year Reports:	N/A	Risk No. 4	
Current Status	Various protocols have been established to ensure that adequate safety precautions are taken for events that are held on campus. A campus events policy has been developed to ensure that individuals who sponsor major events are following these procedures. Sponsors of each major event are required to provide relevant information regarding the event to University Police so that the plans for the event can be reviewed from a risk management perspective and appropriate precautions can be taken to ensure the safety of all participants.		
Mitigation Strategy	The events policy and related procedures will be communicated to the campus community during the summer of 2018. These procedures will include how to reserve event space and how to create event announcements.		

Risk No.	12		
Name of Risk	Transportation		
Risk Champion	Gene Labonte, Assistant VP of Public Safety and Risk Management		
Objective	Create a safe environment for all members of the campus community.		
Risk Description: <u>Operational</u>	Students or employees may be injured or placed in dangerous situations because individuals do not utilize safe driving strategies while operating university vehicles.		
	2016	2017	2018
Ratings:			
Likelihood	3	2	2
Impact	4	4	4
Cumulative Score	12	8	8
Risk Level	Needs to be Addressed	Needs to be Addressed	Needs to be Addressed
Reference to Prior Year Reports:	Risk No. 7	Risk No. 14	
Current Status	<p>Students and employees are encouraged to travel by means of commercial transportation or by university-owned vehicles whenever possible. The university contracts with a vendor that is certified by the Transportation Safety Exchange and the Federal Motor Carrier Safety Administration.</p> <p>All new employees whose responsibilities include operating university vehicles, including students hired as drivers, are required to undergo driver history reviews prior to being allowed to drive. Student drivers operating passenger vans undergo pre-employment drug screening. Online training courses that cover various driver safety topics are provided to all drivers.</p>		
Mitigation Strategy	A vehicle use policy is currently being developed that will require all drivers to complete driver safety training prior to being allowed to drive university vehicles. The policy will also require drivers to submit to periodic validation of their driver licenses and driving records.		

Risk No.	13		
Name of Risk	Experiential Learning		
Risk Champion	David Silva, Provost and VP of Academic Affairs		
Objective	Design and implement high-impact programs and practices that promote students' personal and intellectual development.		
Risk Description: <u>Operational</u>	University administration may not be able to provide students working at placement sites with timely assistance during emergencies because contact information may not be available.		
<u>Strategic</u>	Students may not be connected with experiential learning opportunities for which they are well suited, because information is unavailable or difficult to access.		
	2016	2017	2018
Ratings:			
Likelihood	N/A	2	2
Impact	N/A	4	4
Cumulative Score	N/A	8	8
Risk Level	N/A	Needs to be Addressed	Needs to be Addressed
Reference to Prior Year Reports:	N/A	Risk No. 15, Internships	
Current Status	<p>Many academic departments offer students opportunities for experiential learning, including internships, clinical, field placements, and practicums. In addition, the office of civic engagement connects students with various service learning opportunities within the community.</p> <p>Each department is responsible for managing all aspects of the arrangements. Efforts are underway to develop a centralized database for these various opportunities to improve the accessibility of this information. However, a single solution that addresses the needs of all of the departments that offer experiential learning opportunities has not been identified.</p>		
Mitigation Strategy	The division of academic affairs will continue to collaborate with the office of career services to develop consistent policies and practices for experiential learning opportunities that take into consideration the disparate needs of all of the departments that offer experiential learning opportunities.		

Appendix: Status Update for Risks Sufficiently Mitigated since 2017

Risk A. Classroom Technology

Reference to 2017 Report: Risk No. 12

Risk Champion: Curt King, Chief Information Officer

Objective: Develop strategic plans for information technology and academic technology to meet evolving needs, advance teaching and learning, and attract high-quality faculty, staff and students to Salem State.

Risk Description: Classrooms with outdated configurations and limited wireless capabilities may deprive students of innovative teaching methods that have the potential to improve their rates of success. In addition, insufficient wireless bandwidth may fail meet the expectations of prospective students, which can negatively affect recruitment efforts and lead to a loss of tuition revenue.

Status as of May 2017: The majority of the classrooms on campus are based on lecture style teaching. Active-learning classrooms with multiple screens, which students can use for group work during class, would better address the needs of the student body. The university's wireless network is also in need of significant upgrading. The university installed its first wireless network in 2003 based on best practices at that time, which were focused on laptop usage. In recent years, the emergence of additional mobile devices has caused a shift in best practices to accommodate these devices.

Current Status: The office of information technology services continues to upgrade classroom configurations and technology as feasible. Significant upgrades were made to the classrooms in the Sullivan Building during FY18 to improve opportunities for active learning.

The ratings for this risk have been re-assessed to an acceptable level as follows:

	2017	2018
Ratings:		
Likelihood	3	2
Impact	3	3
Cumulative Score	9	6
Risk Level	Needs to be Addressed	Acceptable

Risk B. Business Intelligence Capability

Reference to 2017 Report: Risk No. 13

Risk Champion: Curt King, Chief Information Officer

Objective: Data-driven decisions are made that further the strategic goals of the university.

Risk Description: Decisions may be made without sufficient data, which may impede the university from achieving its strategic goals.

Status as of May 2017: The office of information technology services created a business intelligence (BI) unit during FY17, which began collaborating with the division of strategic planning and decision support to develop a framework to ensure access to, and analysis of, data to inform key university decisions. A BI steering committee was established to identify and prioritize the strategic information needs of the university as a whole.

Current Status: The business intelligence (BI) unit continues its work to develop tools and structures for cross-divisional data sharing and related analytics.

The ratings for this risk have been re-assessed to an acceptable level as follows:

	2017	2018
Ratings:		
Likelihood	3	2
Impact	3	3
Cumulative Score	9	6
Risk Level	Needs to be Addressed	Acceptable

FY18 annual report of president's expenses

Attached is a complete list of expenses incurred by President Keenan during FY18 (July 1, 2017 – June 30, 2018). Expenses were either reimbursed to the president or incurred on a university procard on his behalf. During the year, the board chair approved the items prior to reimbursements/charges being processed.

Salem State University
President John Keenan Reimbursements (Non-ProCard)
FY 2018 (July 1, 2017 - June 30, 2018)

Date	Purpose	Amount	Check #	Check Date
8/8/2017	Sea Level Lunch w/K Andreas.Salem News	\$ 42.11	261904	9/26/2017
08/08/17	Parking/Commissioner Santiago Meeting	\$ 41.00	261904	9/26/2017
08/09/17	Finz Lunch w/ Trustee Chisholm	\$ 35.16	261904	9/26/2017
08/10/17	Salem Diner/ Lunch	\$ 28.85	261904	9/26/2017
08/16/17	Belfry Bistro/ Dinner	\$ 444.43	261904	9/26/2017
08/17/17	Mirbeau Inn (Bertolon Dinner)	\$ 255.51	261904	9/26/2017
08/24/17	Nathaniel's/ Trustee Murphy	\$ 31.16	261904	9/26/2017
8/25/2017	Salem Diner	\$ 14.24	261904	9/26/2017
8/25/2017	Sea Level	\$ 56.57	261904	9/26/2017
8/29/2017	Nathaniel's/Breakfast	\$ 21.12	261904	9/26/2017
8/30/2017	Salem Diner/Lunch	\$ 22.50	261904	9/26/2017
9/21/2017	Nathaniel's	\$ 35.37	265328	1/25/2018
9/22/2017	Sea Level	\$ 60.24	265328	1/25/2018
10/2/2017	Salem Diner	\$ 22.48	265328	1/25/2018
10/18/2017	Turners Seafood	\$ 48.39	265328	1/25/2018
10/26/2017	Emmett's Boston	\$ 120.60	265328	1/25/2018
11/29/2017	Ledger	\$ 60.91	265328	1/25/2018
11/30/2017	Starbucks	\$ 10.52	265328	1/25/2018
10/26/2017	DCAMM Parking	\$ 41.00	265328	1/25/2018
10/30/2017	NEC Annual Dinner Parking	\$ 25.00	265328	1/25/2018
11/30/2017	Lunch Meeting Parking	\$ 2.00	265328	1/25/2018
12/5/2017	BHE Meeting Parking	\$ 41.00	265328	1/25/2018
12/13/2017	NEASC Annual Meeting Parking	\$ 40.00	265328	1/25/2018
12/14/2017	NEASC Annual Meeting Parking	\$ 25.00	265328	1/25/2018
12/15/2017	COP Meeting Parking	\$ 41.00	265328	1/25/2018
11/14/2017	Harvard Seminar Lodging/Sheraton	\$ 93.00	265328	1/25/2018
11/30/2017	Turner's Seafood Lunch	\$ 62.43	265328	1/25/2018
12/2/2017	Staples	\$ 58.63	265328	1/25/2018
12/15/2017	Parkers Restaurant/ Breakfast COP Mtg	\$ 30.82	265328	1/25/2018
1/9/2018	Sea Level/Lunch	\$ 31.67	266984	3/15/2018
1/10/2018	Beer Works/ Faculty Dinner	\$ 57.61	266984	3/15/2018
1/26/2018	Jaho Coffee	\$ 5.45	266984	3/15/2018
2/2/2018	April's Pub & Grill /Lunch Meeting	\$ 70.21	266984	3/15/2018
2/3/2018	Jaho Coffee	\$ 5.41	266984	3/15/2018

Date	Purpose	Amount	Check #	Check Date
2/7/2018	Periwinkles/Lunch	\$ 22.20	266984	3/15/2018
2/12/2018	Salem Diner Breakfast w/student	\$ 14.21	266984	3/15/2018
2/5/2018	NEC Parking	\$ 38.00	266984	3/15/2018
2/7/2018	Sec Peyser/Parking for Meeting	\$ 41.00	266984	3/15/2018
2/14/2018	State House Mtg/ Parking	\$ 41.00	268722	5/31/2018
2/28/2018	Umass/Worcester Meeting/Parking	\$ 38.00	268722	5/31/2018
3/6/2018	Walgreens/passport photos	\$ 15.93	268722	5/31/2018
3/8/2018	Art Corner/Framed Student Article	\$ 265.80	268722	5/31/2018
2/9/2018	Dunkin Donuts/Breakfast @ Airport	\$ 7.47	268133	5/3/2018
2/11/2018	Breakfast Alumni Visit in FL	\$ 35.79	268133	5/3/2018
2/11/2018	Rental Car Gas	\$ 39.77	268133	5/3/2018
2/4/2018	Gulu Gulu Café/Lunch	\$ 9.75	268133	5/3/2018
3/13/2018	Finz Lunch Meeting	\$ 47.32	268133	5/3/2018
2/14/2018	Periwinkles/Lunch	\$ 16.80	268133	5/3/2018
2/21/2018	Salem Diner Lunch	\$ 20.31	268133	5/3/2018
3/29/2018	Salem Diner Lunch	\$ 16.31	268133	5/3/2018
3/30/2018	Nat's Breakfast Meeting	\$ 37.51	268133	5/3/2018
4/6/2018	Nat's Breakfast Meeting	\$ 27.47	268133	5/3/2018
3/15-3/19	Meals Trip to Florida	\$ 359.92	268722	5/31/2018
3/15-3/19	Parking	\$ 175.00	268722	5/31/2018
3/15-3/19	Car Rental/Lodging	\$ 1,531.65	268722	5/31/2018
3/15-3/19	Airfare	\$ 547.65	268722	5/31/2018
3/15-3/19	Baggage Fee	\$ 25.00	268722	5/31/2018
4/08-4/09	Rowan University Trip/Lodging	\$ 170.79	268722	5/31/2018
4/08-4/09	Rowan University/Meals	\$ 73.51	268722	5/31/2018
4/08-4/09	Parking @ airport	\$ 70.00	268722	5/31/2018
5/4/2018	Staff Lunch	\$ 20.91	268845	6/7/2018
4/24/2018	Mass Inc Event/Parking	\$ 41.00	268845	6/7/2018
5/2/2018	State House Meeting/Parking	\$ 38.00	268845	6/7/2018
5/4/2018	McCrary Meeting/Parking	\$ 41.00	268845	6/7/2018
6/10-6/30	China Trip/Meals	\$ 55.75	270290	7/24/2018
6/10-6/30	China Trip/Lodging	\$ 1,767.10	270290	7/24/2018
6/10-6/30	China Trip/Airfare	\$ 4,133.52	270290	7/24/2018
6/10-6/30	Shanghai Mitsukoshi/Harvard Business Rpt	\$ 52.50	270290	7/24/2018
Subtotal		\$ 11,819.33		

**President John Keenan Reimbursements (ProCard)
FY 2018 (July 1, 2017 - June 30, 2018)**

Date	Purpose	Amount		Card Holder
8/10/2017	Porches Inn (COP) meeting on 10/12/17	\$ 166.43	PRO Card	K.Sadowski
10/31/2017	President Seminar @ Harvard 11/11/17-11/14/17	\$ 6,745.00	PRO Card	K.Sadowski
11/3/2017	NEASC annual Meeting December 2017	\$ 565.00	PRO Card	K.Sadowski
1/30/2018	Flight to Florida	\$ 511.60	PRO Card	K.Sadowski
2/9/2018	PV Hotel/ Florida event	\$ 285.10	PRO Card	C Crouse
4/17/2018	ChinaEast/flight to Xian from Shanghai	\$ 210.00	PRO Card	K.Sadowski
4/17/2018	Flight Boston to PVG 6/10/18	\$ 1,122.40	PRO Card	K.Sadowski
5/9/2018	MA Board of Bar Overseers membership for J Keenan	\$ 309.27	PRO Card	K.Sadowski
Subtotal		\$ 9,914.80		
TOTAL Expenses		\$ 21,734.13		

Official Post-Audit Review (State Audit): Salem State University (SSU)

The State Auditor conducted a performance audit of Salem State University for the period July 1, 2014 through June 30, 2016. The trustees were briefed at the Risk Management and Audit Committee at the September 27, 2017 meeting. The official audit report was issued November 13, 2017 and shared with the Risk Management Audit Committee at its January 24, 2018 meeting and the full board on February 7, 2018. There were three audit findings. The university responded to the findings.

An official Post-Audit Review (PAR) issued on May 29, 2018 describes the status of follow up actions.



Official Post-Audit Review: Salem State University (SSU)

The following outlines corrective action and important steps that SSU has taken to rectify the issues identified in the 2017 audit.

Office of the State Auditor (OSA) Findings (from 2017 audit)	OSA Recommendation(s) (from 2017 audit)	SSU Corrective Action (from 2018 Post-Audit Review)	Date of Corrective Action	Outcome of Corrective Action (from 2018 Post-Audit Review)
SSU did not conduct complete annual inventories of its IT assets, and its inventory record contained inaccuracies.	(1) SSU should conduct the required annual inventory of all IT assets.	Annual inventory of IT assets costing \$1,000 plus and all computer is currently in progress.	Expected to be completed on June 30, 2018.	As of June 1, 2018, SSU was able to complete its inventory on 95% of its assets. SSU's goal of implementing the recommendation by June 30 is within reach.
	(2) SSU should allocate the necessary resources to ensure the completion of the required annual inventory process, including updating the inventory list as needed each year.	Purchased a new asset management system (JIRA-INSIGHT) to allow SSU to be more efficient in its annual inventory process.	Expected to be fully implemented in fall 2018.	Once the JIRA-INSIGHT asset management system is implemented, a barcode scanning mechanism will be used to make the inventory process efficient and the data more accurate. The new system will allow SSU to develop and implement a defined policy and detailed procedure for IT asset relocation.
SSU did not file required reports on unaccounted-for losses.	SSU should develop and implement policies, procedures, and monitoring controls to ensure that all unaccounted-for variances, losses, shortages, and/or thefts of funds/property are immediately reported to the Auditor's office.	SSU created an internal form for reporting losses. This form is available on SSU's intranet site. All unaccounted-for variances, losses, shortages and/or thefts of funds and property are reported to Office of the General Counsel who files a chapter 647 report with the OSA via the online reporting mechanism.	Fully implemented on December 29, 2017.	The previous confusion between the IT Department and the University Police Department regarding which office is responsible for attending to the 647 form has been corrected.
SSU did not ensure that fuel purchases made by its staff were cost effective and proper.	SSU should develop and implement a comprehensive fuel card policy and related procedures that ensure accurate and efficient use of its fuel card program.	SSU developed a new university Fuel Card Policy and created a new "Wright Express Fuel Card Authorization Receipts and Supervisor Acknowledgement Form" used to re-card the entire fleet users of 48 vehicles.	In-progress; anticipated completion for fall 2018.	Possible fiscal benefit of 6,400 in cost savings annually; Greater awareness of transaction metrics will help SSU fleet administrator examine usage patterns more effectively, identify unfavorable usage, guide departmental supervisor and fuel PIN holders in acceptable fuel card usage practices.



Commonwealth of Massachusetts
Office of the State Auditor
Suzanne M. Bump

Making government work better

Official Post-Audit Review

Salem State University – 2017-0184-3E

**** This questionnaire is meant to be completed on a computer by clicking on or filling in the appropriate fields****

**** Upon completion, please save and email the questionnaire to Corrective.Action@sao.state.ma.us.****

If you have questions or need assistance please contact William Keefe at 617-727-6200 ext. 5517 or William.Keefe@sao.state.ma.us

SECTION 1: AUDIT INFORMATION

Agency: Salem State University

Issued Date: 11/13/2017 **Date of Follow-Up Inquiry:** 05/29/2018

Audit #: 2017-0184-3E

Audit Title: Salem State University, for the period July 1, 2014 through June 30, 2016

SECTION 2: AUDIT FINDINGS UPDATE

Finding 1: Salem State University (SSU) Did Not Conduct Complete Annual Inventories of Its Information Technology Assets, and Its Inventory Records Contained Inaccuracies

Recommendation 1.1: SSU should conduct the required annual inventory of all IT assets.

- 1. Agency action:** In Progress
- 2. Explanation of agency action:** The annual inventory of IT assets costing \$1,000 plus and all computers is currently in progress. Departmental technology assistants have been instrumental in this process by verifying the locations and the accuracy of the recorded data. A two (2) week laptop inventory event was held for the faculty and administrators, inviting them to bring their

laptops to the Computer Repair Center for auditing purposes. Appointments were made for others unable to participate.

3. **Agency action completion date:** 6/30/2018
4. **Outcome of corrective action:** With the involvement of the departmental technology assistants and the cooperation from the University community, our goal date of 6/30/2018 should be within our reach. As of June 1, 2018, SSU was able to complete its inventory on 95% of its assets.
5. **Fiscal benefit:** Not Applicable
6. **Value of fiscal benefit:** Click to enter \$ amount.
7. **Description of fiscal benefit:** Click to enter text.
8. **Person(s) responsible:** Curt King
9. **Position/Title:** Chief Information Officer
10. **Email address:** cking@salemstate.edu

Recommendation 1.2: SSU should allocate the necessary resources to ensure the completion of the required annual inventory process, including updating the inventory list as needed each year.

1. **Agency action:** In Progress
2. **Explanation of agency action:** A new JIRA service desk plug-in called INSIGHT (asset management system) was purchased in FY 2018 and will be fully implemented and operational in fall 2018. INSIGHT will allow us to be more efficient in our annual inventory process by incorporating bar code scanning and allowing for additional inventory administrators to update records. This year we also deployed additional staff to this task in order to complete the inventory process.
3. **Agency action completion date:** 12/1/2018
4. **Outcome of corrective action:** This new asset management system will make the inventory process more efficient and will require less resources to accomplish the required annual inventory audit.
5. **Fiscal benefit:** Not Applicable
6. **Value of fiscal benefit:** Click to enter \$ amount.
7. **Description of fiscal benefit:** Click to enter text.

8. **Person(s) responsible:** Curt King
9. **Position/Title:** Chief Information Officer
10. **Email address:** cking@salemstate.edu

Recommendation 1.3: SSU should determine whether an automated solution, such as barcode scanning with an automated upload of information into the system of record, is a viable option.

1. **Agency action:** In Progress
2. **Explanation of agency action:** A barcode scanning mechanism is being purchased as a part of the rollout of the new asset management system, JIRA-INSIGHT, that will be implemented in fall 2018.
3. **Agency action completion date:** 12/1/2018
4. **Outcome of corrective action:** This will make the inventory process efficient and the data will be more accurate.
5. **Fiscal benefit:** Not Applicable
6. **Value of fiscal benefit:** Click to enter \$ amount.
7. **Description of fiscal benefit:** Click to enter text.
8. **Person(s) responsible:** Curt King
9. **Position/Title:** Chief Information Officer
10. **Email address:** cking@salemstate.edu

Recommendation 1.4: SSU should develop and implement a defined policy and detailed procedure for the relocation of IT assets.

1. **Agency action:** In Progress
2. **Explanation of agency action:** The new JIRA-INSIGHT asset management system will allow the technicians and student employees access to the inventory system. The policy and detailed procedure will be built into the design of the new system in fall 2018.
3. **Agency action completion date:** 12/1/2018
4. **Outcome of corrective action:** This system will allow easier and “up-to-the-minute” record - keeping to capture moves and changes of the assets.

5. **Fiscal benefit:** Not Applicable
6. **Value of fiscal benefit:** Click to enter \$ amount.
7. **Description of fiscal benefit:** Click to enter text.
8. **Person(s) responsible:** Curt king
9. **Position/Title:** Chief Information Officer
10. **Email address:** cking@salemstate.edu

Finding 2: SSU Did Not File Required Reports on Unaccounted-For Losses

Recommendation 2.1: SSU should develop and implement policies, procedures, and monitoring controls to ensure that all unaccounted-for variances, losses, shortages, and/or thefts of funds or property are immediately reported to the Office of the State Auditor (OSA).

1. **Agency action:** Fully Implemented
2. **Explanation of agency action:** SSU has created an internal form for reporting variances, losses, shortages and thefts of funds or property. This form is available on SSU's intranet site. All unaccounted-for variances, losses, shortages and/or thefts of funds or property are reported to Office of the General Counsel who files a chapter 647 report with [the Office of the State Auditor via the online reporting mechanism](#). The process for reporting equipment that is stolen, lost, or damaged, whether on- or off-campus is included in the ITS Procedures: Equipment and Technology Inventory Quality Control policy found on SSU's intranet site, Polaris. A reminder about these reporting requirements with a link to the policy and form is sent out the campus community twice a year, in October and February. Also, a check-in is done in June and December with individuals most likely to become aware of unaccounted-for variances, losses, shortages and/or thefts of funds or property to ensure that they are reporting these actions appropriately.
3. **Agency action completion date:** 12/29/2017
4. **Outcome of corrective action:** The previous confusion between the IT Department and the University Police Department regarding which office was responsible for attending to the 647 form has been corrected. All parties currently understand it is now the responsibility of the General Counsel to ensure compliance with the Acts of 1989 to file Chapter 647 forms with the Office of the State Auditor.
5. **Fiscal benefit:** Not Applicable
6. **Value of fiscal benefit:** Click to enter \$ amount.
7. **Description of fiscal benefit:** Click to enter text.

8. **Person(s) responsible:** Rita P. Colucci
9. **Position/Title:** General Counsel
10. **Email address:** RColucci@salemstate.edu

Recommendation 2.2: SSU should designate an individual with the responsibility of ensuring that all unaccounted-for variances, losses, shortages, and thefts of funds or property are immediately reported to OSA.

1. **Agency action:** Fully Implemented
2. **Explanation of agency action:** The office of the general counsel has been tasked with the responsibility of ensuring immediate reporting of unaccounted-for variances, losses, shortages and thefts of funds or property to OSA.
3. **Agency action completion date:** 12/11/2017
4. **Outcome of corrective action:** Unaccounted for variances, losses, shortages, and thefts of funds or property are reported to OSA via the form 647.
5. **Fiscal benefit:** Not Applicable
6. **Value of fiscal benefit:** Click to enter \$ amount.
7. **Description of fiscal benefit:** Click to enter text.
8. **Person(s) responsible:** Rita P. Colucci
9. **Position/Title:** General Counsel
10. **Email address:** rcolucci@salemstate.edu

Finding 3: SSU Did Not Ensure That Fuel Purchases Made By Its Staff Were Cost Effective and Proper

Recommendation 3.1: SSU should develop and implement a comprehensive fuel card policy and related procedures that ensure accurate and efficient use of its fuel card program. At a minimum, it should address supporting documentation for transactions, accurate entry of odometer readings at the time of fueling vehicles, logs to record purchases of fuel for cards that are not assigned to a vehicle, grade of fuel to be purchased, and management monitoring.

1. **Agency action:** In Progress
2. **Explanation of agency action:** SSU Developed, published, and implemented a new university Fuel Card Policy and created a new “Wright Express Fuel Card Authorization Receipts and Supervisor Acknowledgement Form”, used to re-card the entire fleet users of 48 vehicles. All users and supervisors using the WEX card (fuel card) signed and acknowledged policies and procedures of the program. A meeting was held with all department supervisors individually to review the audit findings and to discuss improvements in user controls, behavior and managerial oversight. SSU has hired an administrator to assist with administration of the fuel program, including training department supervisors, fuel PIN holders, documenting results, and supporting management initiatives to achieve best practices. Monthly transaction alerts and details have been monitored, and supervisors and staff have been notified when fuel type or grade, quantity of fuel purchased, or odometer entry suggested user error. SSU is in the final stages of preparing a fuel card manual to include additional procedures with a completion date anticipated during fall 2018.
3. **Agency action completion date:** [Click to enter a date.](#)
4. **Outcome of corrective action:** Greater awareness for fleet administrator to provide timely guidance and information to department supervisors and fuel PIN holders in order to increase effectiveness of fuel procurement. Awareness of transaction metrics will help SSU fleet administrator examine usage patterns more effectively, identify unfavorable usage, guide departmental supervisor and fuel PIN holders in acceptable fuel card use practices
5. **Fiscal benefit:** Cost Savings
6. **Value of fiscal benefit:** possibly \$6,400 annually
7. **Description of fiscal benefit:** Avoidance of cost difference for premium fuel versus unleaded regular could be about 50 cents a gallon. SSU buys about 20,000 gallons in a year, and if auditor findings for audit period were accurate, about 64% was bought as premium. (SSU believes that figure is inflated.) In most recent two-year period since audit, SSU may avoid about 12,800 gallons times 50 cents, or perhaps \$6,400 annually. This does not account for the increased costs of closer monitoring.
8. **Person(s) responsible:** Dennis Koontz
9. **Position/Title:** Associate Director, Business Affairs
10. **Email address:** dkoontz@salemstate.edu

Recommendation 3.2: Management should perform a risk assessment of its fuel card program to determine the notifications it should receive from the WEX system. These notifications should include parameters for fuel type and gallons per transaction.

1. **Agency action:** Fully Implemented

2. **Explanation of agency action:** Fleet administrator attended two events in summer and fall 2017 sponsored by Commonwealth of Massachusetts Operational Services Division that specifically addressed the WEX Fuel card program. Salem State solely utilizes the Commonwealth of Massachusetts contract VEH 100 for its fuel card program. Virtually all WEX system features were explained. SSU agrees that certain auditor recommendations for system alerts are valuable but many aspects of such action steps are not available in the current offering from WEX and Commonwealth system. As a temporary measure, SSU adopted a plan to monitor virtually all transaction data, at least monthly, directly from the web site and the WEX app until WEX develops new alerts for customers.
3. **Agency action completion date:** 12/1/2017
4. **Outcome of corrective action:** We do not rely solely on WEX automated transaction system alerts to detect fuel purchases that require further investigation and correction. As stated above, SSU is supplementing the WEX system with an internal review.
5. **Fiscal benefit:** Other
6. **Value of fiscal benefit:** 0
7. **Description of fiscal benefit:** When SSU provides feedback to department supervisors that staff have had a transaction issue with card use, odometer information, fuel type, or gallons acquired versus tank capacity, that information is shared with supervisors and follow-up conversation are held with the Fuel Pin holder to correct the behavior. Refer to response to 3.1 for further comments about fiscal benefits.
8. **Person(s) responsible:** Dennis Koontz
9. **Position/Title:** Associate Director, Business Affairs
10. **Email address:** dkoontz@salemstate.edu

Recommendation 3.3: SSU should use WEX system reports and the related fuel transaction data to monitor and properly administer staff fuel use to ensure that all fuel purchases are proper and as economical as possible. When irregularities are detected, SSU staff members should investigate the transactions and resolve them appropriately.

1. **Agency action:** Fully Implemented
2. **Explanation of agency action:** This set of tools is the primary method SSU is using to guide department supervisors on fuel procurement activity of department staff. Monthly activity reports are assessed by fleet administrator, and shared with department supervisors.
3. **Agency action completion date:** 5/1/2018
4. **Outcome of corrective action:** Supervisor awareness of staff behavior is increasing.

5. **Fiscal benefit:** Other
6. **Value of fiscal benefit:** Click to enter \$ amount.
7. **Description of fiscal benefit:** Department staff authorized to use fuel card to fuel university vehicles is improving in odometer entry, and awareness of need for accuracy.
8. **Person(s) responsible:** Dennis Koontz
9. **Position/Title:** Associate Director, Business Affairs
10. **Email address:** dkoontz@salemstate.edu

SECTION 3: REFERRAL

1. **Were any matters referred to law enforcement or oversight agencies?** No
2. **If yes, please explain and update:** Click to enter text.

SECTION 4: TRANSMITTAL

1. **Submitted by:** Rita Colucci
2. **Position/Title:** General Counsel
3. **Email address:** rcolucci@salemstate.edu
4. **Date:** 6/19/2018

SUBJECT: Executive Committee Meeting Report of September 26, 2018

The Executive Committee of the Board of Trustees met Wednesday, September 26, 2018, in Marsh Hall, room 210, located on the Central Campus of Salem State University.

Present for the Committee were Trustees Mattera (chair), Chisholm, Katzman, Lutts, Murphy, President Keenan (committee liaison) and Secretary to the Board Montague.

Chair Mattera called the meeting to order at approximately 7:35 pm.

Trustee Emeritus

Chair Mattera introduced the first matter of business which was nomination of former long-time Trustee Pam Scott as a Trustee Emeritus. Several of the trustees expressed support for the nomination and upon a motion duly made by Trustee Lutts and seconded by Trustee Katzman it was unanimously

VOTED: The Executive Committee recommends that the Board of Trustees approve its unanimous nomination of Pam Scott as Trustee Emeritus.

Bylaws

Chair Mattera then moved to the next agenda item for discussion which was revisions to the Board bylaws. On September 13, 2018, draft revisions were distributed for the Board's review. Chair Mattera reviewed the individual revisions and noted that the Board will review and voted on the proposed revisions at its next meeting.

With no further business a motion was duly made by Trustee Katzman and seconded by Trustee Lutts and it was unanimously

VOTED: To adjourn the meeting at 7:45 pm

Prepared by: L. Montague, Secretary to the Board of Trustees

REQUEST FOR TRUSTEE ACTION

Date: September 26, 2018
To: Executive Committee, Board of Trustees
From:
Subject: Trustee Emeritus Nomination
Requested Action: Approval

The Executive Committee recommends that the Board of Trustees approve the following motion regarding its unanimous nomination for Trustee Emeritus

MOTION

That the Board of Trustees of Salem State University approves Pam Scott as Trustee Emeritus.

Committee Assigned: Executive Committee
Committee Action: approved
Date of Action: 9/26/18

Trustee Action:
Trustee Approval Date:
Effective Date:

Signed: _____
Title: Secretary of the Board of Trustees
Date: _____

**BOARD OF TRUSTEES
SALEM STATE UNIVERSITY**

The Salem State University Board of Trustees is established and responsibilities defined by the General Laws of Massachusetts, as referenced at the end of this document.

ARTICLE 1: ORGANIZATION AND OFFICERS OF THE BOARD OF TRUSTEES

SECTION 1: COMPOSITION AND FUNCTIONS OF THE BOARD. The composition, functions, duties, powers and responsibilities of the Board of Trustees, its committees, or subcommittees, shall be as provided and authorized by the laws of the Commonwealth as in effect from time to time, subject to such rules, regulations, policies or guidelines as the Board of Higher Education may, from time to time, adopt, amend or repeal for the management, control, administration, or regulation of the system of public higher education, or any part thereof.

SECTION 2: BOARD MEMBERSHIP. The Board of Trustees shall consist of eleven members, one of whom shall be an alumnus of Salem State University; one member to be elected thereto by the Alumni Association of Salem State University who shall serve a term of five years; and one full-time undergraduate student member to be elected by the student body annually.

The members appointed by the Governor shall serve for a term of five years, but no member shall be appointed for more than two consecutive terms. Succeeding appointments shall be made for five year terms and any vacancy on the Board shall be filled for the duration of the term, in the same manner as the prior appointment. The Chair shall notify the Governor when any vacancy exists.

The term of office for the elected student member shall be for one year beginning on July 1 following his/her election. The student member shall be eligible for re-election for as long as said student remains a full-time undergraduate student. If at any time during the elected term of office said student member ceases to be a full-time undergraduate student, the membership of said student on the Board shall be terminated and the office of the elected student member shall be deemed vacant. A vacancy in the office of the elected student member prior to the expiration of a term shall be filled for the remainder of the term in the same manner as student elections to full terms, except in the case of the trustee's graduation from the university. Per MGL Ch. 15A, Sect. 21, if a successor trustee has been selected by the student body at the time of the trustee's graduation from the institution, the successor may assume the seat of the student trustee upon the latter's graduation.

The members of the Board recognize and acknowledge that, by taking up their appointments as such, they have assumed an obligation, fiduciary in its nature, to conduct themselves, to exercise their authorities and to discharge their responsibilities for the benefit of the University and of those whom it serves and not for any other purpose. They also therefore recognize and acknowledge that it is both necessary and appropriate for all members of the Board to be regular in their attendance at meetings of the Board and at meetings of the committees on which they

Adopted by the Salem State University Board of Trustees, 10/10/12

serve, to assume an equitable share of the responsibilities that fall to members of the Board individually, to inform themselves concerning the University's mission and purpose and to commit themselves to promoting the University's success in its efforts to provide an excellent and accessible education to its students.

SECTION 3: OFFICERS OF THE BOARD. The elected officers of the Board of Trustees shall be a Chair and a Vice Chair. Each officer shall have the duties, functions, powers and responsibilities of her/his office as prescribed by the laws of the Commonwealth, these Bylaws, and parliamentary custom.

Such officers shall be elected by the Board of Trustees at its annual meeting in June, upon nomination by the Nominating Committee as provided in Article III, Section 2, or otherwise, and they shall hold office for a term of one year commencing on the first day of July, or until their respective successors are elected. The Chair and Vice Chair of the Board shall be Trustees.

The President of the University shall also be an officer of the Board of Trustees, ex officio, non-voting and shall have such duties, functions, powers and responsibilities as the Board of Trustees may from time to time prescribe consistent with the laws of the Commonwealth.

SECTION 4: THE CHAIR OF THE BOARD OF TRUSTEES. The Chair of the Board of Trustees shall have the following powers and duties:

- (a) To preside at all meetings of the Board of Trustees at which s/he is present. In her/his absence, the Vice Chair of the Board shall preside. In the absence of both, a chair pro tempore shall be elected.
- (b) To call regular and special meetings of the Board of Trustees.
- (c) To serve as Chair of the Executive Committee.
- (d) To serve as an ex officio voting member of all standing committees of the Board of Trustees.
- (e) To appoint Standing Committees, Nominating Committee, and other special committees of the Board of Trustees, and the Chair thereof. All committee assignments shall be co-terminus with the Chair.
- (f) To appoint successor members and the chairs of standing committees, other than the Executive Committee, in the event that for any reason a vacancy occurs in any such office. A successor so appointed shall serve until the next June 30th.
- (g) To appoint substitute members and chairs of standing committees, other than the Executive Committee, in the event that any such member or chairs thereof declares

Adopted by the Salem State University Board of Trustees, 10/10/12

her/his inability to serve for any period. A substitute so appointed shall serve during such inability.

SECTION 5: THE VICE CHAIR OF THE BOARD OF TRUSTEES. The Vice Chair of the Board of Trustees shall have the following powers and duties:

- (a) To perform all duties of the Chair of the Board of Trustees at her/his request or in case of her/his absence or incapacity.
- (b) To serve as a member of the Executive Committee.

SECTION 6: THE SECRETARY. The secretary shall have the following duties:

- (a) To give written or electronic notice of all regular and special meetings of the Board of Trustees and of special committees thereof, and to compile and distribute agendas therefor.
- (b) To record the proceedings and to prepare minutes of the meetings of the Board of Trustees.
- (c) To preserve all documents, papers and records of the Board of Trustees determined by the Secretary to be a part of its official records or necessary to the performance of its duties.
- (d) To conduct correspondence on behalf of the Board of Trustees and to certify official documents and proceedings.
- (e) To perform duties, not inconsistent with those prescribed by these Bylaws or by the Board of Trustees, as prescribed from time to time by the Chair of the Board of Trustees or the President of the University.
- (f) The Secretary to the Board of Trustees shall be an employee of Salem State University who is appointed by the President of the University and approved by the Chair of the Board of Trustees.
- (g) An Assistant Secretary to the Board of Trustees shall also be appointed by the President of the University and approved by the Chair of the Board of Trustees. The Assistant Secretary shall be an employee of Salem State University whose responsibilities will be to assist the Secretary and to support the Board in the absence of the Secretary.

SECTION 7: TRUSTEE EMERITUS

This Board may include up to three fully participating, but non-voting Trustee Emeritus positions. Nominations for trustee emeritus must be approved unanimously by the executive committee and a majority of the full board. Only those Trustees who have completed two (2) full five (5) year terms and one term as Board chair are eligible for nomination. Nominations may be made by any current Trustee to the Board Chair no later than one year after completion of the former Trustee's second term.

Commented [LM1]: Original Board vote required approval by Executive Committee only. Revision required MAJORITY OF BOARD

Deleted: , as approved by

Deleted: a

ARTICLE II: MEETINGS OF THE BOARD.

SECTION 1: ANNUAL AND REGULAR MEETINGS. Four regular meetings, including the annual meeting, shall be held unless otherwise determined by the Board of Trustees. The time and place of such meetings shall be fixed by the Chair of the Board of Trustees in consultation with the President with the exception of the annual meeting to be held in June of each year. All meetings shall be held within the Commonwealth.

SECTION 2: SPECIAL MEETINGS. Special meetings of the Board of Trustees may be held at any time and place within the Commonwealth when called by the Chair of the Board of Trustees or the President of the University or by three Trustees in writing or electronically given to the President specifying the purpose(s) of said meeting. The time and place of such meeting shall be fixed by the Chair of the Board of Trustees in consultation with the President. Notice of such meeting shall be sent to each Trustee as early as possible in advance of the meeting, which notice shall state the time, place, and purpose(s) for which it has been called.

SECTION 3: NOTICE OF REGULAR MEETINGS. Written or electronic notice of each regular meeting of the Board of Trustees shall be sent to each Trustee by mail at least seven days prior to the date fixed for said meeting, which notice shall state the time and place.

SECTION 4: AGENDA OF REGULAR BOARD MEETINGS. A written agenda of matters to be considered at each regular meeting of the Board of Trustees shall be sent to each Trustee by mail at least five days prior to the date fixed for said meetings.

Items to be included on the agenda for a regular meeting shall be submitted to the President in writing or electronically by (a) recommendation of a standing or other committee of the Board of Trustees, or (b) the Chair of the Board of Trustees.

Commented [LM2]: Insert missing word

Formatted: Highlight

Formatted: Font color: Red, Highlight

Formatted: Font color: Red

No item shall be included on the agenda for a regular meeting except upon consideration and recommendation by a standing or other committee of the Board of Trustees; provided, that at any regular meeting the Chair of the Board of Trustees and the President of the University, and any Trustee upon majority vote of said Board, shall be entitled to present matters to the Board of Trustees for its consideration without prior reference to a committee.

SECTION 5: QUORUM. The number of Trustees necessary to constitute a quorum for the transaction of business shall be six. When a quorum is present at any meeting, a majority of the Trustees present may take action on behalf of the Trustees, except that an affirmative vote of two-thirds of the entire voting membership of the Board is required for the appointment or removal of the President of the University.

SECTION 6: EXECUTIVE SESSIONS. Unless the Board shall otherwise direct at any time or from time to time, executive sessions of the Board will include the Trustees and the president and shall be convened and conducted in conformity with the state's Open Meeting Law. Other individuals may be invited to attend an executive session in order to give information or advice as deemed necessary or appropriate by the Board. The topics and purposes of executive sessions shall be limited to those matters permitted by the state's open-meeting law.

SECTION 7: REMOTE PARTICIPATION. Under the Massachusetts Open Meeting Law, Gen. Laws c.30A, sect.18-25, Trustees may participate in public meetings remotely via the use of technology if physical attendance would be unreasonably difficult; provided Trustees who participate remotely and all persons present at the meeting location shall be clearly audible to each other, as required by M.G.L. c. 30A, §20(d).

A quorum of the body, including the chair or, in the chair's absence, the person authorized to chair the meeting, shall be physically present at the meeting location. Trustees who participate remotely may vote and shall not be deemed absent. Trustees shall be permitted to participate remotely in a meeting provided they notify the person chairing the meeting prior to the meeting as soon as reasonably possible of their desire to do so and the reason for and facts supporting their request.

At the start of the meeting, the chair shall announce the name of any member who will be participating remotely. This information shall also be recorded in the meeting minutes. All votes taken shall be by roll call vote.

The following media, with accommodations if necessary, are acceptable methods for remote participation: telephone, internet, satellite enabled audio or video conferencing, or any other technology that enables the remote participant and all persons present at the meeting location to be clearly audible to one another. When video technology is in use, the remote participant shall be clearly visible to all persons present in the meeting location.

SECTION 8: RULES OF PROCEDURE. Business before the Board shall be conducted according to the latest edition of Standard Code of Parliamentary Procedures by the American Institute of Parliamentarians when not inconsistent with these bylaws unless otherwise provided in these By-Laws or by the Board.

Formatted: Font: Times New Roman, 12 pt, Font color: Red

Commented [LM3]: Revised – Text revised to comply with updated Open Meeting Law

Formatted: Font: 12 pt, Font color: Red

Formatted: Font: (Default) Times New Roman, 12 pt, Font color: Red

Deleted: may participate in public meetings remotely via the use of technology under prescribed circumstances. These circumstances include: 1) personal illness; 2) personal disability; 3) emergency; 4) military service; or 5) geographic distance. A member wishing to participate remotely must first receive a determination from the secretary that one of the above requirements has been met. For the meetings to proceed, the chair of the convening body – or his/her replacement – must be present and a quorum must exist in the meeting location. Votes taken during meetings where there is remote participation shall be by roll call.¶

Adopted by the Salem State University Board of Trustees, 10/10/12

ARTICLE III: COMMITTEES OF THE BOARD OF TRUSTEES.

SECTION 1: STANDING COMMITTEES. There shall be five standing committees of the Board of Trustees: (1) Executive Committee, (2) Academic Affairs and Student Life, (3) Finance and Facilities, (4) Institutional Advancement, Marketing and Communications, and (5) Risk Management and Audit.

SECTION 2: NOMINATING AND OTHER SPECIAL COMMITTEES. There shall be a Nominating Committee of the Board of Trustees, whose members shall consist of such Trustees as may be appointed by the Chair of the Board of Trustees and who shall serve until the next annual meeting. The Board of Trustees may establish other special committees from time to time to have such duties as it may determine, the members of which shall be appointed by the Chair of the Board of Trustees.

SECTION 3: MEMBERS OF COMMITTEES. Each standing Committee, except the Executive Committee, shall have not fewer than three Trustees appointed by the Chair of the Board. The President shall be a member of each Committee, ex officio, non-voting. The Chair shall be a member of each committee, ex officio, voting. Committee members may include individuals who are not trustees so long as the majority membership of the committee is comprised of trustees. The Chair shall have the authority to appoint non-trustee members advisory, non-voting to committees to serve until the next annual meeting. Members may be appointed to Committees, on a temporary basis, by the Chair, as may be required.

SECTION 4: COMMITTEE MEETINGS. Committee meetings may be held at any time and place when called by the Chair of the Committee, the Chair of the Board of Trustees, the President of the University, or a majority of the members of the committee. The President of the University chooses a University Liaison for each Committee. A University Liaison is the Area Head or the individual with the greatest responsibility in said area.

Notice of each regular committee meeting shall be sent to each Trustee at least seven days prior to the date fixed for said meeting, which notice shall state the time and place. Notice for a special committee meeting shall be sent to each Trustee as early as possible in advance of the meeting, also stating the time and place as well as the purpose(s) for which it has been called.

The Chair of the Board of Trustees or the President of the University may call a meeting of the Executive Committee by declaring that an emergency condition exists. An emergency condition shall be defined as a sudden set of circumstances arising which require the need for immediate action. The Chair of the Board of Trustees or the President of the University shall fix the time and place of such emergency meeting. The Secretary of the Board of Trustees shall send a written or electronic notice of the time and place of the Executive Committee Emergency Meeting to each member.

Adopted by the Salem State University Board of Trustees, 10/10/12

The members present at any meeting of a standing committee shall constitute a quorum for the transaction of business, provided that in the case of the Executive Committee, a majority of the members shall constitute a quorum.

SECTION 5: AGENDA OF COMMITTEES OF THE BOARD. A written or electronic agenda of matters to be considered at each meeting of a committee of the Board of Trustees shall be sent to each committee member as early as possible in advance of the meeting. Items to be included on committee agendas shall be submitted in writing or electronically to the President by the Committee Liaison or Chair of the Committee.

SECTION 6: THE EXECUTIVE COMMITTEE. The Executive Committee shall be composed of the Chair and Vice Chair of the Board of Trustees, the President of the University, and three additional Board members elected to this committee by the Trustees at the annual meeting. This Committee shall have the following powers and duties:

- (a) To act upon matters for the Board of Trustees, when immediate action is necessary.
- (b) To consider and act upon proposals by the President for action which the Board may have generally or specifically authorized the President to take with the concurrence of the Executive Committee.
- (c) To review and recommend a prospective list of potential speakers and honorary degree recipients being considered for baccalaureate and graduate commencements. Final approval of all commencement speakers and honorary degree recipients shall rest with the Board of Trustees.
- (d) To conduct upon referral from the Board formal hearings as required by law for the Board of Trustees or any Committee of the Trustees and to make recommendations to the Board concerning any matter heard, provided that hearings required by law to be conducted as adjudicatory proceedings shall be governed by General Laws, Chapter 30A.
- (e) To review recommendations of the President and to recommend all actions required to be taken by the Board of Trustees on personnel (excluding faculty and librarians) from appointment to termination in accordance with collective bargaining agreements, Board of Higher Education and Board policies.
- (f) To review, update, and implement current affirmative action policies of the Board of Trustees and the Board of Higher Education, and to insure compliance with State and Federal Laws.
- (g) To consider legislative and public relations policy interests of the Board of Trustees and of the University and to make recommendations to the Board of Trustees with respect thereto.
- (h) To consider, propose and recommend to the Board of Trustees the adoption, amendment or revision of the Bylaws.

Adopted by the Salem State University Board of Trustees, 10/10/12

- (i) To review recommendations of the President and recommend to the Board of Trustees the naming of buildings, streets, ways, and other properties relating to the campus. Final approval regarding the adoption of said names rests with the Board of Trustees.
- (j) To recommend to the Board of Trustees for appointment four members of the Salem State University Assistance Corporation Board of Directors and the SSUAC Board Chair.
- (k) To review litigation matters involving the university.

SECTION 7: THE COMMITTEE ON ACADEMIC AFFAIRS AND STUDENT LIFE. The Committee on Academic Affairs and Student Life shall have the following powers and duties:

To review and recommend to the Board of Trustees:

- (a) Policies relating to the quality, character, and extent of academic programs, including admissions, instruction, curriculum, degrees, accreditation, public service, and research, in accordance with collective bargaining agreements and the Board of Higher Education's policies.
- (b) Proposals for major new programs and program changes.
- (c) Actions to be taken by the Board of Trustees on the granting of emeritus status to retired faculty.
- (d) Procedures, policies, rules and regulations pertaining to student life.
- (e) Plans and policies concerning health and athletic programs.

To review recommendations of the President and to recommend all actions required to be taken by the Board of Trustees on faculty and librarians from appointment to termination in accordance with collective bargaining agreements, Board of Higher Education and Board policies.

To conduct such inquiries as may be necessary with respect to student matters not of a judicial or academic nature and to report their findings and recommendations to the Board.”

SECTION 8: THE COMMITTEE ON FINANCE AND FACILITIES. The Committee on Finance and Facilities shall have the following powers and duties:

To review and recommend to the Board of Trustees:

- (a) Student fees.
- (b) The operating budget for the University.
- (c) Policies relating to property, buildings, land acquisition, site development, and construction.
- (d) Policies and plans relating to facilities and long-range capital outlay budgets.

And

- (e) To oversee the development and continuing review of a master plan for the University.

SECTION 10: THE INSTITUTIONAL ADVANCEMENT, MARKETING AND COMMUNICATIONS COMMITTEE. The Committee on Institutional Advancement, Marketing and Communications shall have the following powers and duties:

To review and recommend to the Board of Trustees:

- (a) Recommendations with regard to policies and programs related to the advancement of the institution, including fundraising, marketing and communications and activities involving alumni, the community and other external bodies, in order to foster understanding of, and support for, the University and its mission.
- (b) Plans, proposals and the acceptance of major gifts to the foundation on behalf of the University. This will be inclusive of all private funds, including: special gifts, endowments, bequests, and other means.
- (c) Significant branding and positioning strategies for the institution.

SECTION 11: THE NOMINATING COMMITTEE. The Nominating Committee shall nominate candidates for election as officers of the Board of Trustees and shall submit its nominations in writing or electronically to the Secretary at least ten days prior to the date of the annual meeting of the Board of Trustees.

SECTION 12: THE RISK MANAGEMENT AND AUDIT COMMITTEE. The Risk Management and Audit Committee shall have the following powers and duties:

To review and recommend to the Board of Trustees:

- (a) The selection of the independent accountants to perform the annual audit;
- (b) The University's financial statements, ensuring that the statements reflect the University's financial condition;
- (c) The University's internal controls, including those established for financial information systems;
- (d) Actions to address any regulatory compliance issues,
- (e) The University's pending legal cases.
- (f) The University's conflict of interest policy,
- (g) The guidelines and policies that govern the processes by which the University assesses and manages its exposure to risk,
- (h) The University's major financial and other risk exposures and actions to monitor and control such exposures.

SECTION 13: COMMITTEE CHARTERS.

Each committee shall draft a charter which is incorporated by reference into these by-laws. Committee charters shall be reviewed annually at the first committee meeting of each academic

Formatted: Font: 12 pt, Bold, Font color: Red

Commented [LM4]: Section added to incorporate charters into by-laws, require annual review of charters, and set procedure for charter amendment process..

Formatted: Font: 12 pt, Font color: Red

Formatted: Font color: Red

Formatted: Indent: First line: 0", Space After: 0 pt

Formatted: Font: 12 pt, Font color: Red

Adopted by the Salem State University Board of Trustees, 10/10/12

year. Charters may be approved, amended, revised or repealed by vote of a majority of the entire number of Trustees at any meeting of the Board of Trustees; provided, however, that the text of any charter, amendment, revision or repeal as originally proposed shall be sent to the Trustees at least thirty days before the meeting.

Formatted: Font color: Red

ARTICLE IV: MISCELLANEOUS.

SECTION 1: THE SEAL OF THE UNIVERSITY. The Common Seal of the University and of the Board of Trustees shall consist of a flat faced circular die with the words Salem State University, Salem, Massachusetts, Progre~~di~~, the date 1854, and a symbol of a clipper ship engraved thereon.

Deleted: -----Page Break-----

Formatted: Font: Not Bold

SECTION 2: AMENDMENT, REVISION OR REPEAL OF THE BYLAWS. These Bylaws may be amended, revised or repealed by vote of a majority of the entire number of Trustees at any meeting of the Board of Trustees; provided, however, that the text of any amendment, revision or repeal as originally proposed shall be sent to the Trustees at least thirty days before the meeting.

Last updated: October 17, 2018

Formatted: Font color: Red, Highlight

Formatted: Font color: Red

Adopted by the Salem State University Board of Trustees, 10/10/12

APPENDIX 1: LIST OF REFERENCES.

Conflict of Interest and Annual Disclosure

All members of the Board are state employees within the meaning of the state's ethics statute (chapter 268A of the General Laws). Violations of the statute may give rise to both civil and criminal penalties. Each member of the Board is therefore expected to be familiar with the requirements of the ethics statute and to comply with them.

All Trustees are advised to disclose to the Board any possible conflict of interest at the earliest practical time and to take such other action in that regard as the law may require. Further, each Trustee is advised to absent her/his self or herself from discussions of and to abstain from voting on any matters under consideration by the Board of Trustees or its committees if to do otherwise would constitute a conflict of interest. The minutes of such meeting shall, as appropriate, reflect that a disclosure was made and that the Trustee having a conflict or possible conflict abstained from voting.

Indemnification

Trustees of State Universities are indemnified under Massachusetts General Laws Ch. 15A: "The Commonwealth shall indemnify a trustee of a community college or state university against loss by reason of the liability to pay damages to a party for any claim arising out of any official judgment..."

Pertinent Legislation

1. MA General Laws, Chapter 15A
2. MA General Laws, Chapter 28 of the Acts of 2009

APPENDIX 2: DEFINITION OF NOTICE.

Notice shall be defined as being either written or electronic and shall clearly state the date, place and time of the meeting(s).

SUBJECT: Risk Management and Audit Committee Meeting Report for October 10, 2018

The Risk Management and Audit Committee of the Board of Trustees met on Wednesday, October 10, 2018, in the Paul Petrowski Conference Room located in Marsh Hall on the Central Campus of Salem State University.

Present for the Committee: Trustees Lutts (chair), Zahlaway-Belsito (vice chair), DeSimone, Chair Mattera, President Keenan (ex-officio), Vice President House (committee co-liaison), staff assistant Beaulieu. Also participating was University Controller Bethoney.

Absent for the Committee: Trustee Katzman

Trustee Lutts, committee chair, called the meeting to order at 4:03 pm.

FY18 audits for discussion and acceptance

Representatives from O'Connor & Drew, the university's external auditing firm present were David DiIulis, managing partner and Zach Laflash, audit manager.

Required communications (Attachment A) noted a clean unmodified opinion issued on the university's financial statements and no material weaknesses regarding internal controls. Significant accounting policies included the implementation of GASB No. 75 Other Post-Employment Benefits (OPEB). The Commonwealth's OPEB audit and final numbers have not been completed as of this date. The OPEB allocation to the university provided in the draft financial statements may change.

The university draft financial statements for fiscal year ending June 30, 2018 and 2017 (Attachment B) along with the management's discussion and analysis and related footnotes were reviewed. The independent auditors' reports as required by the uniform guidance and government auditing standards and related information (Attachment C) includes a report on federal programs and internal controls. There were four findings disclosed that are required to be reported in accordance with the Uniform Guidance. These findings are common and have either been addressed or management has put a plan of action in place. No material weaknesses and no significant deficiencies regarding internal control over the federal programs had been identified.

Trustee Lutts **MOVED** that the Risk Management and Audit Committee hereby recommends the Board of Trustees approve the following motion pertaining to the FY18 Salem State University audited financial statements, **SECONDED** by Trustee Zahlaway-Belsito:

Recommended motion

The Board of Trustees of Salem State University hereby accepts the following draft

audits and reports:

Salem State University Financial Statements and Management's Discussion and Analysis June 30, 2018 and 2017

Independent Auditor's Reports as Required by the Uniform Guidance and Government Auditing Standards and Related Information, June 30, 2018

Further, the Board of Trustees delegates authority to accept the final financial statement package to Vice President Karen House, with the proviso that substantive changes from the draft statements, if any, be discussed first with the chair of the Risk Management and Audit committee.

On a voice vote, the motion passed unanimously.

As a best practice, the university's management team voluntarily left the room to provide the trustees with an opportunity for a discussion with the auditors without the presence of management.

There being no further business to come before the committee, Trustee Lutts moved and Trustee Zahlaway-Belsito seconded a motion to adjourn.

MOTION: To adjourn the meeting.

On a voice vote, the motion passed unanimously.

The meeting adjourned at 5:35 pm.

Prepared by D. Beaulieu, staff assistant, finance and facilities

REQUEST FOR TRUSTEE ACTION

As has been discussed, GASB Statement No. 75 – Other Post-Employment Benefits (OPEB) is being adopted for the first time in the FY18 financial statements, with retroactive restatement of prior year(s) figures as required. Please recognize that the university’s auditors cannot finalize the audited financial statements until the Commonwealth’s GASB 75 audit is completed. That audit, performed by others, is well advanced but not yet complete. Figures and disclosures related to GASB 75 were recently received and have been incorporated in the draft financial statement package for FY18, but it is possible that there will be subsequent changes. The university’s auditors will be in attendance at the Oct. 10 Risk Management and Committee meeting and will review the drafts with the committee in detail.

Trustee Lutts **MOVED** that the Risk Management and Audit Committee hereby recommends the Board of Trustees approve the following motion pertaining to the FY18 Salem State University audited financial statements, **SECONDED** by Trustee Zahlaway-Belsito:

RECOMMENDED MOTION

The Board of Trustees of Salem State University hereby accepts the following draft audits:

Salem State University Financial Statements and Management’s Discussion and Analysis June 30, 2018 and 2017

Independent Auditor’s Reports as Required by the Uniform Guidance and Government Auditing Standards, June 30, 2018

Further, the Board of Trustees delegates authority to accept the final financial statement package to Vice President Karen House, with the proviso that significant changes from the draft statements, if any, be discussed first with the chair of the Risk Management and Audit committee.

Committee Assigned: Risk Management and Audit

Committee Action: Approved

Date of Action: October 10, 2018

Trustee Action:

Trustee Approval Date:

Effective Date:

Signed: _____

Title: Secretary of the Board of Trustees

Date: _____

Salem State University

October 10, 2018

25 Braintree Hill Office Park, Suite 102
Braintree, MA 02184
617.471.1120

Required Communications

AUDITORS' RESPONSIBILITY UNDER GAAS

- We have a responsibility to conduct our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.
- In carrying out this responsibility, we planned and performed the audit to obtain reasonable – not absolute – assurance about whether the basic financial statements are free of material misstatement, whether caused by error or fraud.
- An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion.

Required Communications - Continued

AUDITORS' RESPONSIBILITY UNDER GAAS - Continued

- We issued an unmodified opinion on the University's financial statements.
- No material weaknesses/significant deficiencies were noted within the Report on Internal Control over Financial Reporting and on Compliance and Other Matters
- Findings while performing the Single Audit:
 - Timely reporting of student enrollment changes to NSLDS
 - Correct return of federal awards for a withdrawn student
 - Resolving discrepancies between conflicting information
 - Reporting current participants of the Trio program.

Required Communications - Continued

Significant Accounting Policies and Transactions

- Initial Selection of or Changes in Policies
 - Retroactive implementation of GASB 75- recording the Universities share of the OPEB obligation.
 - All accounting policies are discussed in Note 1 of the financial statements.
- Significant Transactions
 - Prior period adjustment recording the approximate \$96,300,000 OPEB obligation, as of July 1, 2017.

Independence

- We are not aware of any relationships between O'Connor & Drew and the University that in our professional judgment may reasonably impact our independence.
- Related to our audit for 2018, we are independent with respect to the University within the meaning of the pronouncements of the Independence Standards Board, *Government Auditing Standards*, and under Rule 101 of the AICPA Code of Professional Conduct.

Required Communications - Continued

Significant Accounting Policies and Transactions – Continued

Audit Adjustments and Uncorrected Misstatements

- There were no audit differences recorded as a result of the audit that are required to be communicated to the Committee.
- There were no uncorrected misstatements that are required to be communicated to the Committee.

Required Communications - Continued

MANAGEMENT'S JUDGMENTS AND ACCOUNTING ESTIMATES

- Allowance for doubtful accounts
- Depreciable lives of capital assets
- Fringe benefits
- Net position classifications
- Net pension liability
- Net OPEB liability

OTHER COMMUNICATIONS

- Disagreements with management – None
- Consultation with other accountants/auditors:
 - Auditors for the Massachusetts State Employees' Retirement and OPEB Plans
- Major issues discussed with management prior to retention – None
- Difficulties encountered in performing the audit – None
- Significant written communications between the auditor and management:
 - Engagement letter
 - Management representation letter
 - Uniform Guidance Report

Required Communications - Continued

MANAGEMENT ADVISORY SERVICES/TAX SERVICES

- No management advisory services were performed by O'Connor & Drew during 2018.
- O'Connor & Drew performed a Single Audit as required by the Uniform Administrative Requirements, Cost Principles, and Audit Requirements.

Financial Statement Fraud Risks

PERVASIVE RISK

- No pervasive financial statement fraud risks were identified.

SPECIFIC RISKS PRESUMED BY AUDITING STANDARDS

- Risk of misstatement relating to revenue recognition
- Risk of management override of controls
 - Journal entries and adjustments
 - Revenue recognition
 - Significant accounting estimates
 - Significant unusual transactions

UNIVERSITY'S SPECIFIC RISKS

- General economic factors affecting all entities

GASB Statement 87, *Leases*

- Effective for periods beginning after December 15, 2019
- A lease will be defined as a contract that conveys control of the right to use another entity's nonfinancial asset (e.g. building) for a period of time
- GASB 87 will require lessees to recognize on their balance sheet the rights as an asset and obligations as a liability
- Leases with terms of less than twelve months will not be required to be recognized on the balance sheet under GASB 87
- Currently, leases that meet the capital lease test in which the lessee has ownership rights are recognized on the balance sheet. Leases that do not meet the capital lease test are not recognized on the balance sheet but their terms are disclosed in the notes to the financial statement

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

**FINANCIAL STATEMENTS AND
MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2018

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Financial Statements

June 30, 2018 and 2017

TABLE OF CONTENTS

Independent Auditors' Report	1-3
Management's Discussion and Analysis (Unaudited)	4-25
Financial Statements:	
Statements of Net Position	26-27
Statements of Revenues, Expenses	28
Statements of Changes in Net Position	29
Statements of Cash Flows	30-31
Combining Statements of Net Position of Major Component Units	32
Combining Statements of Revenues and Expenses of Major Component Units	33
Notes to the Financial Statements:	
Note 1- Summary of Significant Accounting Policies	34-45
Note 2- Restatement of Net Position	45
Note 3- Cash and Cash Equivalents and Deposits	46-47
Note 4- Cash Held by State Treasurer	47
Note 5- Investments	48-53
Note 6- Accounts, Grants and Other Receivables	54
Note 7- Pledges Receivable and Notes Receivable	54-55
Note 8- Loans Receivable and Payable	55-56
Note 9- Capital Assets	57-60
Note 10- Accounts Payable and Accrued Expenses	61
Note 11- Unearned Revenue	61
Note 12- Long- Term Liabilities	62-69
Note 13- Pensions	69-76
Note 14- Other Post-Employment Benefits	77-84
Note 15- Deferred Inflows of Resources	84

Note 16- Rental Income	85
Note 17- Operating Lease Commitments	85-86
Note 18- Restricted Net Position	86
Note 19- Commitments and Contingencies	87
Note 20- Operating Expenses	88
Note 21- Fringe Benefit Program	88-90
Note 22- Massachusetts Management Accounting Reporting Reporting System (“MMARS”)	90-91
Note 23- Pass-Through Student Federal Loans	91
Note 24- Massachusetts State College Building Authority (“MSCBA”)	92
Required Supplementary Information:	
Schedules of Proportionate Share of Net Pension Liability (Unaudited)	93
Schedules of Contributions - Pension (Unaudited)	94
Notes to the Required Supplementary Information - Pension (Unaudited)	95-96
Schedules of Proportionate Share of Net OPEB Liability (Unaudited)	97
Schedules of Contributions - OPEB (Unaudited)	98
Notes to the Required Supplementary Information - OPEB (Unaudited)	99
Supplementary Information:	
Schedules of Net Position – Dormitory Trust Fund Report (Unaudited)	100
Schedules of Revenues, Expenses, and Changes in Net Position – Dormitory Trust Fund Report (Unaudited)	101
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	102-103

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Salem State University
Salem, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of Salem State University (an agency of the Commonwealth of Massachusetts, the "Commonwealth") (the "University"), and its discretely presented component units, the Salem State University Foundation, Inc. (the "Foundation") and Salem State University Assistance Corporation (the "Assistance Corp.") which comprise the statements of net position as of June 30, 2018, and 2017 the related statements of revenues, expenses and changes in net position, cash flows, combining statements of net position of major component units, combining statements of revenues and expenses of major component units for the year then ended, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of Salem State University as of June 30, 2018, and 2017 and the changes in net position and cash flows, and combining statements of net position of major component units, combining statements of revenues and expenses of major component units for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, is effective for fiscal year 2018 and required the College to restate beginning net position at July 1, 2016 to recognize its proportionate share of the net postemployment benefits other than pensions obligation determined for the State Retirees' Benefit Trust. Our opinion is not modified with respect to that matter.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions of the University's basic financial statements. The supplemental schedules listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated **DATE** on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University 's internal control over financial reporting and compliance.

**Certified Public Accountants
Braintree, Massachusetts**

DATE

Draft

SALEM STATE UNIVERSITY

(an agency of the Commonwealth of Massachusetts)

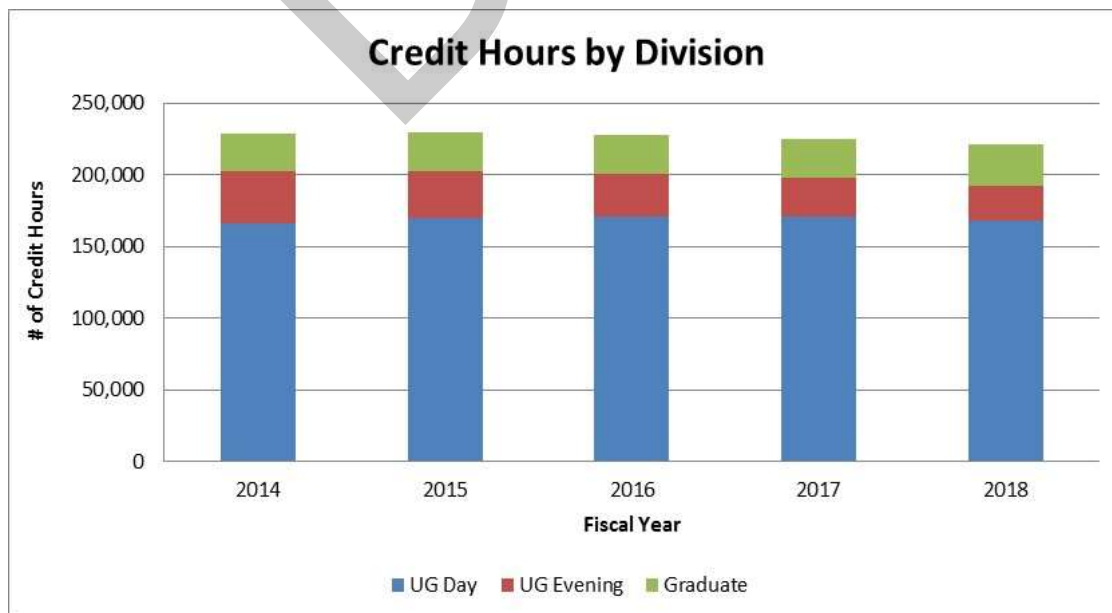
Management's Discussion and Analysis - Continued (Unaudited)

Introduction

Salem State University (the "University") offers readers this narrative overview and analysis of the financial statements and activities of the University for fiscal years ended June 30, 2018 and 2017. Readers are encouraged to consider the information presented here in conjunction with the financial statements and related footnotes. In accordance with Governmental Accounting Standards Board ("GASB") requirements, the University financial statements report the Salem State University Assistance Corporation ("Assistance Corporation") and Salem State University Foundation, Inc. ("Foundation") as component units.

Background

The University was founded in 1854 as the Salem Normal School, at which time it offered innovative, ground-breaking education for women pursuing careers in education. Today, the University thrives as a comprehensive institution of academic strength offering high quality education at the undergraduate and graduate levels. The 115 acre University is spread across six sites: North Campus, Central Campus, South Campus, School of Social Work & International Programs, Cat Cove and the O'Keefe Athletic Complex. The curriculum spans the arts, sciences and professional programs contained within the College of Arts and Sciences, the Bertolon School of Business, the Maguire Meserve College of Health and Human Services, the School of Education, the School of Graduate Studies and the School of Continuing and Professional Studies. The undergraduate level has approximately 6,231 and the graduate level has approximately 891 Fall Full-Time Equivalent ("FTE") credit enrollment. Total credit hour enrollment by division for the past five years is shown below:



SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis - Continued
(Unaudited)

University students are diverse, hailing from 31 states and 58 countries. Thirty-six and a half percent of first year students (freshman and transfer) self-identified as students of color (fall semester 2017). The approximate gender breakdown is 38% male and 62% female.

In support of the University, there are two component units. The Assistance Corporation, formed in 1995 by the legislature, promotes the orderly growth and development of the University. The Foundation, a separate 501(c) (3) corporation is the primary recipient of endowments, alumni funds and various other donations made to benefit the University.

The University's mission and vision statements provide direction in the quest to provide the best education possible for its diverse student body and are as follows:

University Mission

Salem State's mission is to provide a high quality, student-centered education that prepares a diverse community of learners to contribute responsibly and creatively to a global society, and serve as a resource to advance the region's cultural, social and economic development.

University Vision

Salem State University will be a premier teaching university that engages students in an inspiring transformational educational experience.

- We put students first in all that we do and are committed to their success.
- We are a community of learners where all faculty, staff and students have the opportunity to grow as individuals.
- We are innovators, offering a unique brand of public higher education that inspires students to reach higher and achieve more.
- We remain true to our heritage as a liberal arts university while we prepare students for today's workforce.
- We serve the communities of the North Shore while we create an ever more globally aware and culturally diverse campus environment.

The mission and vision statements guide decisions by University management on campus and help to create an environment of student success and inclusive excellence.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis - Continued
(Unaudited)

Accreditations

The University is accredited by the New England Commission of Higher Education (“NECHE”) and the next comprehensive review will occur in Spring 2021. In addition, many of the University’s programs are accredited by program-specific accrediting bodies.

Significant Events and Accomplishments

In January 2018 Salem State formally inaugurated John D. Keenan as the university’s 14th president. The university’s strategic plan was completed during the year and established four strategic goal areas (academic excellence; student success; collaboration, inclusion, and stewardship; and financial vitality.) Highlights of accomplishments for each of the strategic goals are noted below.

ACADEMIC EXCELLENCE

The university received approval to begin offering three new academic programs – master of science degree in accounting, master of science degree in athletic training, and bachelor of science degree in information technology. In addition, fall semester 2018 is the first semester for a graduate certificate program in writing and rhetoric.

STUDENT SUCCESS

The university’s 6-year graduation rate increased to 57.9%, up dramatically from 52.1% in the prior year. There were 2,271 total degrees and certificates awarded in academic year 2017-18. A sampling of our students’ academic achievements include:

- Six regional awards at the Kennedy Center’s American College Theatre Festival
- Counseling graduate students (21) presented original research at the 2018 Massachusetts School Counselors Association conference
- A recent graduate student in English received a Fulbright US Student Program award, which will take her to India for 2018-2019
- A recent graduate (certificate program) with the Center for Holocaust and Genocide Studies was selected to join the Warren Fellowship for Future Teachers in Houston

COLLABORATION, INCLUSION AND STEWARDSHIP

In the area of Inclusive Excellence and Campus Climate work:

- The university is participating in National Coalition Building Institute (NCBI) and completed training in the NCBI Welcoming Diversity Workshop as well as the NCBA Controversial Issue Process
- Ten faculty and staff members are taking part in a year-long Racial Equity and Justice Institute program of the Leading for Change Diversity Consortium hosted at Bridgewater State University

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis - Continued
(Unaudited)

Community engagement/volunteer service remains an important priority. In that regard:

- The Center for Civic Engagement (CCE) continues to provide opportunities and information about engagement in the community and as a citizen, with several signature programs and numerous activities throughout the academic year.
- SSU students voted at a rate well above the national average in the 2016 election. 85% were registered to vote and of that cohort, 77 percent voted.
- Students in the Bertolon School of Business provided service to the community through the Volunteer Income Tax Assistance program.
- Numerous students participated in the Habitat for Humanity programs and traveled to Texas or South Carolina to help build homes.
- Graduate students in Occupational Therapy fundraised to assist local nonprofits

Sustainability accomplishments in FY2018 include:

- The Sophia Gordon Center for the Performing Arts was awarded a LEED Gold certificate and is the university's sixth LEED certified building.
- The university divested its investment portfolio of fossil fuels, following a lengthy review process and determination made by the board of trustees.
- Salem State was awarded the EPA's Regional Food Recovery Achievement Certificate again this past year.

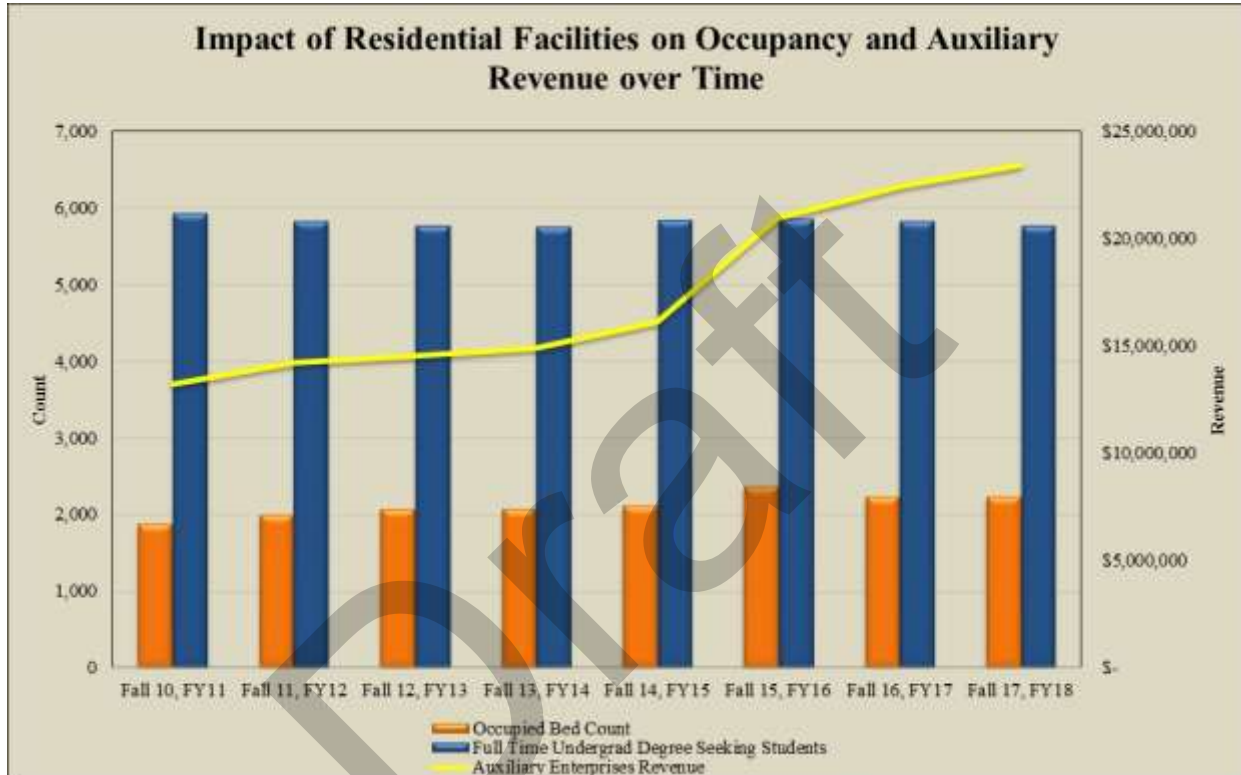
FINANCIAL VIABILITY

- The university expanded summer conferencing revenue streams by creating a partnership with Capstone on Campus Management (COCM). In its initial summer, the program hosted Education First, which brought young students from China, Venezuela and Russia to our campus for its English immersion program, and other conference guests. The startup season was deemed a success and is a growth opportunity for the future.
- The university completed a thorough assessment of the physical state of the campus with Sightlines. The process documented a backlog of \$253 million in deferred maintenance.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis - Continued
(Unaudited)

The University has intentionally grown its housing capacity to aid in enrollment management and student success. The chart below shows the relationship between undergraduate student enrollment, residential hall occupancy, and auxiliary revenues over the last eight years.



Capital Projects

Sophia Gordon Center for Creative and Performing Arts

(Formerly known as the Main Stage Theatre Conversion Project)

During August 2014, construction commenced under the project management of the Division of Capital Asset Management and Maintenance (DCAMM) for the renovation of the Mainstage to become the Sophia Gordon Center for Creative and Performing Arts. Located on the North Campus, the state-of-the-art center was opened in April 2017. With project closeout expenses occurring in FY2018, the total project cost was \$27.8 million. Approximately \$13.3 million was funded by the University from the issuance of an MSCBA bond during January 2014, additional cash funds of \$5.2 million was contributed by donors and the University in addition to capitalized interest of \$1.9 million recorded since FY 2015, and DCAMM funded \$7.4 million in capital grant funds through June 30, 2018.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis - Continued
(Unaudited)

Overview of University Financial Statements

Salem State University reports its activity as a business-type activity under GASB using the economic resources measurement focus and full accrual basis of accounting. The University is an agency of the Commonwealth of Massachusetts. Therefore, the results of the University's operations and non-operating activities, its net position and cash flows are also summarized in the Commonwealth's Comprehensive Annual Financial Report in its government-wide financial statements on an annual basis.

The financial statements, accompanying notes and supplemental information are presented separately from this discussion and analysis and will provide details not included in the below discussion.

Statement of Net Position Summary & Analysis

The Statement of Net Position presents information on the University's assets and deferred outflows of resources, less its liabilities and deferred inflows of resources, with the residual balance being reported as net position. The University's total net position for fiscal year 2018 increased \$3.9 million from fiscal year 2017, excluding the impact of the current year expenses for pensions and other post-employment benefits (see below.)

GASB No. 68 and 75 - Accounting and Financial Reporting for Pensions and Other Post-Employment Benefits ("OPEB")

The Governmental Accounting Standards Board (GASB) issued two standards that materially impacted the presentation of the university's financial statements over the last several years, notably GASB Statement No. 68 - Accounting and Financial Reporting for Pensions and GASB Statement No. 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (commonly referred to as OPEB.). GASB 68 was implemented by Salem State University in its FY 2016 financial statements which required, among other impacts, restating the net position as of June 30, 2015. GASB 75 has been implemented by Salem State University in its FY 2018 financial statements which required, among other things, restating net position as of July 1, 2016 in order to provide comparability with FY 2018. The table below shows the financial statement impact of GASB statements 68 and 75 in fiscal years 2018 and 2017:

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis - Continued
(Unaudited)

	FY 2018	FY 2017
	(In Thousands)	
Statement of Net Position (Balance Sheet)		
Deferred Outflows (like an Asset):		
GASB 68 - Pension	\$ 14,492	\$ 19,627
GASB 75 - Other Post Employment Benefits	12,267	2,182
Total deferred outflows	26,759	21,809
Net Pension & OPEB liability (Non-Current Liability):		
GASB 68 - Pension	(44,565)	(46,974)
GASB 75 - Other Post Employment Benefits	(98,032)	(96,287)
Total Net Pension & OPEB Liability	(142,597)	(143,261)
Deferred Inflows (like a Liability):		
GASB 68 - Pension	(4,749)	(3,891)
GASB 75 - Other Post Employment Benefits	(13,048)	-
Total deferred outflows	(17,797)	(3,891)
Net position impact - decrease	\$ (133,635)	\$ (125,343)
One-year Change**	(8,292)	(98,814)
Statement of Revenues Expenses & Changes in Net Position		
Pension & OPEB Expenses:*		
GASB 68 - Pension	\$ 3,583	\$ 4,711
GASB 75 - Other Post Employment Benefits	4,709	-
Total Net Pension & OPEB Expense	\$ 8,292	\$ 4,711

* These Pension and OPEB amounts are related solely to the GASB 68 & 75 adjustments and have been allocated among the Operating Expense categories.

**This amount includes the GASB 68 pension of \$4,711 and the GASB 75 OPEB restatement of \$94,105 to the beginning unrestricted net position for FY 2017.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis - Continued
(Unaudited)

The table below shows the impact of GASB 68 (Pension) and GASB 75 (OPEB) on unrestricted net position for the years as presented.

Unrestricted Net Position Impacted by GASB 68 (Pension) and 75 (OPEB)					
<i>(In Thousands)</i>					
	Without Pension & OPEB	Pension Adjustment	OPEB Adjustment	With Pension and OPEB	Difference
Unrestricted Net Position at June 30, 2016	\$ 9,738	\$ (26,527)	\$ -	\$ (16,789)	
Unrestricted net decrease for FY 2017	(4,920)	(4,711)	-	(9,631)	
Restatement (See Note 2)	-	-	(94,105)	(94,105)	
Unrestricted Net Position at June 30, 2017, Restated	4,818	(31,238)	(94,105)	(120,525)	\$ (125,343)
Unrestricted net increase (decrease) for FY 2018	3,869	(3,583)	(4,709)	(4,423)	
Unrestricted Net Position at June 30, 2018	<u>\$ 8,687</u>	<u>\$ (34,821)</u>	<u>\$ (98,814)</u>	<u>\$ (124,948)</u>	<u>\$ (133,635)</u>

The total net pension liability balance in the June 30, 2018 and 2017 financial statements amounted to approximately \$45.0 million and \$47.0 million, respectively. The total net OPEB liability balance in the June 30, 2018 and 2017 financial statements amounted to approximately \$98.0 million and \$96.3 million, respectively.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis - Continued
(Unaudited)

A summarized comparison of the University's assets, deferred outflows, liabilities, deferred inflows and net position at June 30, 2018, 2017 and 2016 is as follows:

<u>Assets</u>	<i>(In Thousands)</i>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Current Assets	\$ 44,435	\$ 39,909	\$ 46,113
Capital Assets (net)	169,691	172,648	163,705
Noncurrent Assets	3,854	3,956	3,815
Total Assets	<u>217,980</u>	<u>216,513</u>	<u>213,633</u>
Deferred Outflows of Resources	26,759	21,809	19,078
Total Assets and Deferred Outflows	<u>\$ 244,739</u>	<u>\$ 238,322</u>	<u>\$ 232,711</u>
<u>Liabilities</u>			
Current Liabilities	\$ 24,041	\$ 23,686	\$ 26,552
Noncurrent Liabilities	190,282	193,189	92,453
Total Liabilities	<u>214,323</u>	<u>216,875</u>	<u>119,005</u>
Deferred Inflows of Resources	18,542	4,888	2,726
<u>Net Position</u>			
Net investment in capital assets	130,219	131,099	122,165
Restricted	6,603	5,985	5,604
Unrestricted	(124,948)	(120,525)	(16,789)
Total Net Position	<u>11,874</u>	<u>16,559</u>	<u>110,980</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 244,739</u>	<u>\$ 238,322</u>	<u>\$ 232,711</u>

Total assets increased in FY 2018 by \$1.5 million or 0.7% over the prior year compared with a 1.3% increase of \$2.9 million in FY 2017. Most of the changes within the asset categories are associated with increases in cash and investments offset by a decrease in capital asset driven by depreciation outpacing the capital asset additions. Total liabilities decreased in FY 2018 by \$2.6 million or 1.1% over prior year. This change is primarily attributable to the recording of an OPEB liability increase of \$1.7 million, offset by a decrease in the Pension liability of \$2.4 million and payments on outstanding debt of \$2.3 million. In FY 2017, total liabilities increased by \$97.9 million or 82.2% almost all of which is attributable to implementation of the GASB No. 75 OPEB accounting standard.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis - Continued
(Unaudited)

For fiscal 2018, 2017 and 2016, total net position amounted to \$11.9 million, \$16.6 million and \$111.0 million, respectively. The University's net position in the investment in capital assets (e.g. land, buildings and equipment) less any related debt used to acquire those assets is the largest positive component of the total net position, which is consistent with prior years and is detailed below in the next section. The University uses its capital assets to provide services to students, faculty and administration; consequently, these assets are not available for future spending. Although the University's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, such as room rents, auxiliary and other fees, since the capital assets themselves cannot be used to satisfy these liabilities.

Capital Assets

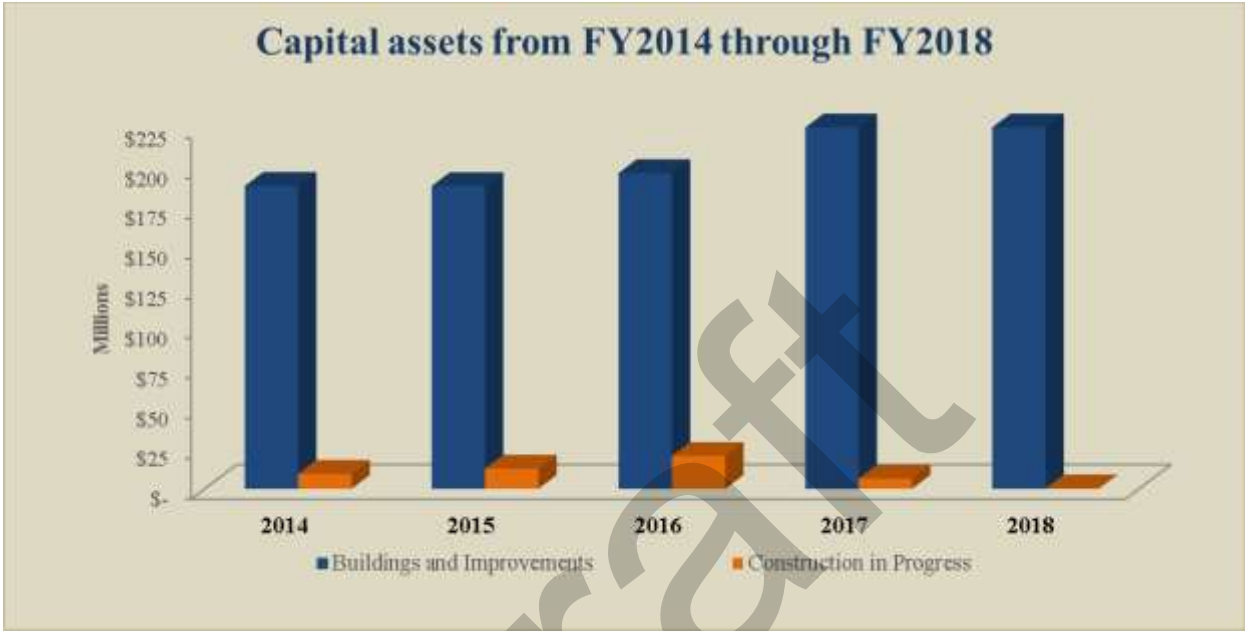
A summarized comparison of the University's capital assets categories at June 30, 2018, 2017 and 2016 is as follows:

Capital Asset Summary			
	<i>(In Thousands)</i>		
	2018	2017	2016
Building and improvements	\$ 238,793	\$ 227,079	\$ 196,564
Construction in Progress	187	6,372	20,361
Land	2,536	2,536	2,536
Furniture and Equipment	30,818	30,401	29,508
Total	<u>272,334</u>	<u>266,388</u>	<u>248,969</u>
Less: accumulated depreciation	<u>(102,643)</u>	<u>(93,740)</u>	<u>(85,264)</u>
Total capital assets, net	<u>\$ 169,691</u>	<u>\$ 172,648</u>	<u>\$ 163,705</u>

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Management’s Discussion and Analysis - Continued
(Unaudited)

The following graph shows the progression of capital project values over the last five years:



SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis - Continued
(Unaudited)

Capital Assets Changes

The University's total capital asset changes as of June 30, 2018, 2017 and 2016 are depicted below:

Changes in Capital Assets

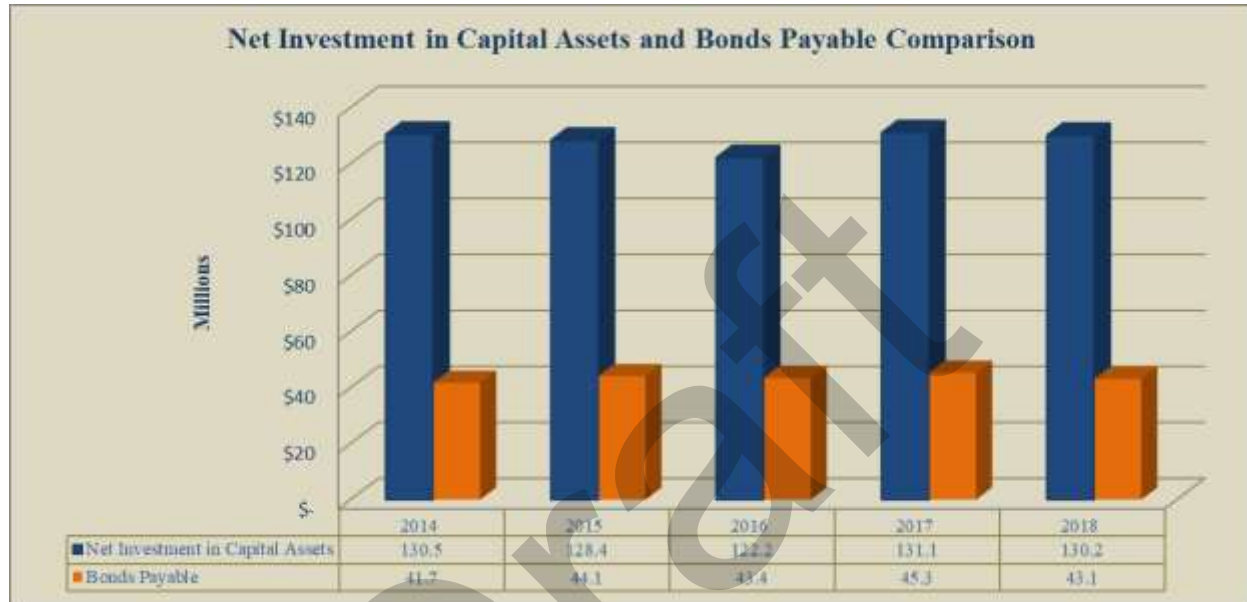
	(In Thousands)		
	2018	2017	2016
<u>Building and Land Improvements</u>			
Sophia Gordon Center	\$ 824	\$ 27,005	\$ -
331 Lafayette Street	1,236	-	-
Meier Hall Renovation	557	-	321
Library and Learning Commons Improvements	152	272	521
Administration Building Renovation	-	1,736	-
Steam Pipe Repairs	430	366	-
O'Keefe Improvements	810	-	-
Equipment purchases for IT and Biology Departments	1,421	-	1,675
Comprehensive Energy Performance Contract Project	5,577	317	4,799
Various Other Improvements	708	820	745
Net Additions to Buildings and Improvements	11,715	30,516	8,061
<u>Construction in Progress ("CIP")</u>			
Sophia Gordon Center	824	10,709	10,619
Various Ongoing Renovation Projects	3,132	908	2,073
Comprehensive Energy Performance Contract Project	2,126	3,920	1,208
IT Projects	78	1,178	774
Capitalized Bond Interest (For Sophia Gordon Center)	-	452	554
Additions to Construction in Progress	6,160	17,167	15,228
Transfer of Construction in Progress to Capital Assets	(12,345)	(31,157)	(7,323)
Net Additions (Reductions) to CIP	(6,185)	(13,990)	7,905
<u>Furniture & Equipment</u>			
O'Keefe, Dining, IT & Art Design	416	642	228
Maintenance Equipment	-	252	-
Net Additions to Furniture and Equipment	416	894	228
Total Net Asset Additions	5,946	17,420	16,194
Depreciation Expense for the Year	8,903	8,477	7,877
Net Increase (Decrease) in Capital Assets	\$ (2,957)	\$ 8,943	\$ 8,317

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis - Continued
(Unaudited)

Net Investment in Capital Assets and Bonds Payable Comparison

The following graph displays long-term debt for Bond Payables on the university's books and the Net Investment in Capital Assets balances for fiscal years ended 2014 through 2018:



It should be noted that the asset category “Capital assets, net” is not the same as the “Net Investment in Capital Assets” in the net position category. Net Investment in Capital Assets includes the same activity as the Capital Assets but also includes any related debt liabilities and deferred inflow of resources that are attributable to the acquisition, construction or improvement of those capital assets.

Statements of Revenues and Expenses and Changes in Net Position Summary & Analysis

The Statement of Revenues, Expenses and Changes in Net Position Analysis shows how the University's net position changed during the last three fiscal years. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g. the accrual for compensated absences).

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis - Continued
(Unaudited)

A summarized comparison of the University's operating and non-operating revenues and expenses and the resulting increase or decrease in net position at June 30, 2018, 2017 and 2016 is as follows. Note that this information includes the impact of the Pension and OPEB accounting standards:

Statement of Revenues, Expenses, and Changes in Net Position Summary & Analysis

	<i>(In Thousands)</i>		
	2018	2017	2016
<u>Operating Revenues</u>			
Tuition and Fees, Net	\$ 69,566	\$ 66,893	\$ 62,685
Federal, State, and Private Grants	19,472	19,306	18,820
Sales and Services	1,296	1,333	1,426
Auxiliary and Other	23,876	22,762	21,274
Total Operating Revenues	114,210	110,294	104,205
<u>Operating Expenses</u>			
Compensation and benefits	117,761	118,273	112,436
Supplies and services	38,659	37,324	35,957
Utilities	4,107	4,179	4,276
Depreciation	8,903	8,477	7,877
Scholarships	6,185	5,627	4,789
Change for Pension and OPEB activity	8,292	4,711	4,368
Total Operating Expenses	183,907	178,591	169,703
<u>Non-Operating Revenues (Expenses)</u>			
State appropriations	60,128	58,768	56,416
Contribution to the Assistance Corporation	-	(897)	(911)
Gifts	2,160	1,801	2,665
Investment Income	1,511	1,755	(111)
Interest Expense	(1,736)	(1,157)	(1,269)
Total Non-Operating Revenues, Net	62,063	60,270	56,790
Capital Grants	2,950	7,711	783
Increase (Decrease) in Net Position	\$ (4,684)	\$ (316)	\$ (7,925)

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis - Continued
(Unaudited)

Highlights for Operating Revenues

The increase in total operating revenues of \$3.9 million (3.6%) and \$6.1 million (5.8%) in FY 2018 and FY 2017, respectively, over prior year resulted primarily from the following changes:

Tuition and Fees, net: The tuition and fees, net of scholarships and fellowships improved by 4.0% in FY 2018 and 6.7% in FY 2017 (\$2.7 million in FY 2018 and \$4.2 million in FY 2017) over prior year due to increases in fee rates as well as new fees.

Federal, State and Private Grants: Federal, state and private grant revenues remained stable for FY 2018 when compared to FY 2017. The federal, state and private grant revenues increased in FY 2017 by \$0.5 million (2.6%) due primarily to increases in federal grants.

Auxiliary Enterprises and Other: Auxiliary enterprises and other revenues increased in FY 2018 by \$1.1 million (4.9%) over prior year primarily due to increases in dormitory room revenue of \$0.7 million and student fees for permits, meals and ancillary revenue of \$0.4 million. In FY 2017, auxiliary and other revenues increased \$1.5 million (7.0%) over the prior year and was primarily due to increases in dormitory room revenue of \$0.8 million and student fees for permits, meals and ancillary revenue of \$0.7 million.

Highlights for Operating Expenses

The increase in total operating expenses of \$5.3 million (3.0%) and \$8.9 million (5.2%) in FY 2018 and FY 2017, respectively, over prior year resulted primarily from the following changes:

Compensation and Benefits: Compensation and benefits remained fairly stable during FY 2018, decreasing by \$0.5 million (0.4%) compared to FY 2017 which increased by \$5.8 million (5.2%) over prior year. FY2018 does not reflect salary increases for three union labor contracts that have expired. The University is awaiting the contract to receive final approval and funding and the expected retroactive payment of salaries will be paid out during fiscal year 2019. This payroll amount, along with its related fringe benefits is estimated to range between \$2.0 and \$2.2 million.

Supplies and Services: The \$1.3 million (3.6%) increase in supplies and services during FY 2018 over prior year is primarily due to a \$1.0 million in non-capitalizable repairs and maintenance combined with a \$0.3 million increase in the MSCBA assessment. The \$1.4 million (3.8%) increase in supplies and services during FY 2017 over prior year is primarily due to a \$1.2 million increase in the MSCBA assessment. MSCBA charges the University an assessment to cover the cost of financing residence hall and garage facilities on the university campus.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis - Continued
(Unaudited)

Depreciation: The \$426 thousand (5.0%) increase in depreciation expense in FY 2018 over prior year is due to the increase in depreciation for buildings and building improvements. Projects that were previously included in construction in progress have been completed and have begun to be depreciated in fiscal 2018. For similar reasons during FY 2017, depreciation increased \$600 thousand (7.6%) over the prior year.

Changes for Pension and OPEB Activity: The fourth year of adoption of GASB 68 for pensions resulted in an expense of \$3.6 million in FY 2018 and was a decrease of \$1.1 million over the prior year. This is due to changes in salaries and in the discount rate utilized in calculating the pension liability, as provided by the Comptroller's Office.

The adoption of GASB 75 for other post-employment benefits resulted in a decrease to the July 1, 2016 unrestricted net position balance of \$94.1 million. The annual expense of \$4.7 million was recorded in FY 2018. The change in expense from FY 2017 to FY 2018 are due to changes in salaries and in the discount rate utilized in calculating the other post-employment benefits liability, as provided by the Comptroller's Office.

Highlights for Non-Operating Revenues (Expenses)

The increase in non-operating revenues (expenses) in FY 2018 and FY 2017 of \$1.8 million (3.0%) and \$3.5 million (6.1%), respectively, resulted primarily from the following net changes:

State Appropriations: State appropriations increased by \$1.4 million (2.3%) and \$2.4 million (4.2%) in FY 2018 and FY 2017, respectively, over prior year primarily to support employee payroll and related fringe benefit costs. General Appropriation Act (GAA) funding increased by 1.2% or \$508 thousand for FY 2018; the majority of the appropriations increase was related to fringe benefits for the approximately half of the University's payroll that is funded by the state operating appropriation.

Contributions to the Assistance Corporation: In FY 2017 property was purchased amounting to \$897 thousand for the Assistance Corporation. There were no purchases in FY 2018 of this nature.

Gifts: Gift revenue is a variable source. During FY 2018, gifts increased over the prior year by \$359 thousand (19.9%) primarily due to the transfer to the university of \$400 thousand in funds received by the Salem State University Foundation to support debt service for the Sophia Gordon Center. During FY 2017, gifts decreased over the prior year by \$864 thousand (32.4%).

Investment Income: Investment income decreased by \$244 thousand in 2018 compared to an increase of \$1.9 million in FY 2017 and is attributable to fluctuating market conditions.

Interest Expense: Interest expense increased \$579 thousand (50.4%) since interest paid during construction could not be capitalized, but was required to be expensed due to the completion of the Sophia Gordon Center in FY 2017.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis - Continued
(Unaudited)

Managed Revenue and Expense Report

The university operates using an internal Managed Revenues and Expenses Report format which is not intended to conform to Generally Accepted Accounting Principles (GAAP); this report distinguishes between managed and non-cash revenue and expense activity. The Managed Revenues and Expenses format allows the reader to focus on the elements of financial activity that university administration must control and manage while displaying certain non-cash GAAP based revenue and expense items in a section at the bottom. Importantly, Managed Revenue and Managed Expense are calculated on an accrual basis; thus, they are not intended to represent cash in and cash out. To illustrate, while the Managed Net Income figure for FY2018 is \$9.998 million, the actual increase in cash for the year is \$3.053 million. Other classification differences between the management report and GAAP basis report exist. For example, in the management report all financial aid expenses are displayed as a deduction from revenue rather than how they are reported in the GAAP report as a contra revenue in some cases and an expense in other cases.

At the bottom line, Increase (Decrease) in Net Position per the management report is the same as per the GAAP-basis audited Statement of Revenues and Expenses for completed years. The next page shows the Managed Revenue and Expense report for the three fiscal years 2018, 2017 and 2016.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis - Continued
(Unaudited)

The description of the Managed Revenue and Expense Report below is on the preceding page and must be read to understand the intent and meaning of this non-GAAP report.

Managed Revenue and Expense Format

	<i>(In Thousands)</i>		
	FY2018	FY2017	FY2016
Managed Revenue:			
Net Tuition and Fees	\$ 63,381	\$ 61,239	\$ 57,896
Federal, State, Private Grants	19,472	19,306	18,820
Auxiliary Enterprises	23,423	22,519	21,149
State General Appropriations	60,128	58,768	56,416
Other Revenue	5,858	4,422	4,593
Total Managed Revenue	<u>172,263</u>	<u>166,254</u>	<u>158,874</u>
<i>Year over Year Change</i>	<i>3.6%</i>	<i>4.6%</i>	<i>5.8%</i>
Managed Expenses:			
Compensation	117,761	118,273	112,436
Support	18,365	17,991	18,568
Facility-related	26,138	24,669	22,934
Total Managed Expenses	<u>162,264</u>	<u>160,934</u>	<u>153,939</u>
<i>Year over Year Change</i>	<i>0.8%</i>	<i>4.5%</i>	<i>5.8%</i>
Managed Net Income	<u>9,998</u>	<u>5,320</u>	<u>4,935</u>
Non-Cash Revenue/(Expenses):			
Capital Grants	2,950	7,711	783
Depreciation	(8,903)	(8,477)	(7,877)
Contributions to SSUAC	-	(896)	(911)
Unrealized Gains/Losses	(438)	738	(487)
GASB 68 Pension	(3,583)	(4,711)	(4,368)
GASB 75 OPEB	(4,709)		
Total Non-Cash Revenue/(Expenses)	<u>(14,683)</u>	<u>(5,636)</u>	<u>(12,859)</u>
<i>Year over Year Change</i>	<i>160.5%</i>	<i>-56.2%</i>	<i>67.1%</i>
Total Increase/(Decrease) in Net Position	<u>\$ (4,684)</u>	<u>\$ (316)</u>	<u>\$ (7,925)</u>

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis - Continued
(Unaudited)

Statement of Cash Flows

The Statement of Cash Flows is reported on the direct method. The direct method portrays net cash flows from operations as major classes of operating receipts (e.g., tuition and fees) and disbursements (e.g., cash paid to employees for services).

A summarized comparison of the University's cash flows and the resulting decrease in cash at June 30, 2018, 2017 and 2016 follows. *It should be noted that for the presentation below, the appropriations are shown in Operating Activities rather than Non-Capital Financing Activities since the State appropriations are intended and used to support operations.* According to accounting standards, on the Cash Flow Statement of the Financial Statements, the appropriations are presented as required in Non-Capital Financing Activities.

Summary of Cash Flows

(In Thousands)

	2018	2017	2016
Operating Activities	\$ 8,420	\$ 4,194	\$ 5,502
Non Capital Financing Activities	1,355	(419)	941
Capital Financing Activities	(6,972)	(9,088)	(17,500)
Investing Activities	250	539	1,239
Net Increase/(Decrease) in Cash	<u>\$ 3,053</u>	<u>\$ (4,774)</u>	<u>\$ (9,818)</u>

Highlights for Cash Flows

The overall increase in cash and cash equivalents for FY 2018 amounted to approximately \$3.1 million and is associated with increases in auxiliary enterprise receipts, appropriations and gifts.

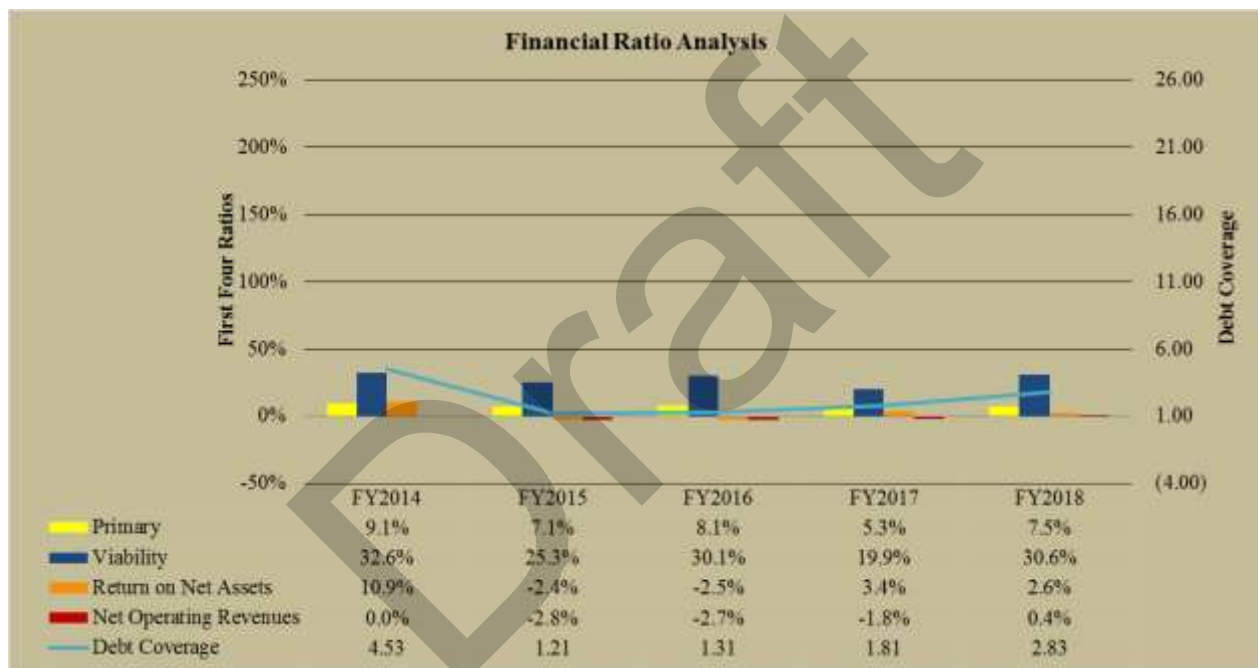
The overall decrease in cash and cash equivalents for FY 2017 and FY 2016 amounted to approximately \$4.8 million and \$9.8 million, respectively, and is primarily associated with the purchases of capital assets and repayment of bond principal and interest.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis - Continued
(Unaudited)

Ratio Analysis

Ratio analysis is a management tool which indicates the University's effective use of its resources, its overall financial viability, its direction in achieving institutional strategic goals, and its ability to meet short and long-term obligations in a managed fashion. Ratios are also useful in analyzing trends of an institution over time. A one-year fluctuation in a ratio may be indicative of an aberration for that year or may indicate a relevant trend. The ratios presented here are calculated without the inclusion of the University's component units and without factoring in the effect of the implementation of GASB 68 and 75.



Comments on Ratio Trends

Primary

This ratio provides a snapshot of the University's financial strength and flexibility by indicating how long it may be able to operate using expendable reserves without relying on additional new assets generated by operation.

Viability

This ratio measures a university's management of resources, including debt, and the availability of expendable net assets (cash and other liquid assets) to pay off long-term debt.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis - Continued
(Unaudited)

Return on Net Assets

This ratio measures asset performance and management. By measuring total economic return, this ratio indicates whether a university's resources are growing, and if the university is better off financially than in previous years.

Net Operating Revenues

This ratio measures operating results. It indicates whether total operating activities produced a surplus or deficit and answers the question, "Did the university live within its means during a fiscal year?"

Debt Service Coverage

This ratio measures actual margin of protection for annual debt service payments from annual operations. The higher the number, the better able the institution can cover its debt obligations.

Looking Ahead to FY 2019

In the next fiscal year, the university will continue to execute its strategic plan, focusing on academic excellence; student success; collaboration, inclusion, and stewardship; and financial vitality. In fall semester 2018, Salem State will offer college level courses to cohorts of Salem High School students as part of the Forten Scholars Early College Program (healthcare or business/ information technology track). Salem State University is one of five programs in the state to be awarded a Formal Early College Designation. Also in fall semester 2018, the university will welcome its first group of sophomore-level English majors from Nanjing Normal University's (NNU) Ginling College (China) which represents a broadening of our longstanding "China 1+2+1" program. During academic year 2018-2019, the university is preparing to request permission to host our first-ever doctoral program, a clinical doctorate in occupational therapy. Students will be recruited to the new academic programs approved in FY 2018 and a variety of other enrollment and retention initiatives are underway.

The university's physical development continues, and in the coming year Salem State will participate in a "readiness determination" project. This partnership with the Department of Capital Asset Management and Maintenance (DCAMM) will focus on developing plans for new science teaching laboratories while addressing deferred maintenance. In addition, in FY 2019 the university will begin to execute a new five-year plan to address critical maintenance needs which will qualify us for \$8.4 million in funding from DCAMM. Three new solar projects are anticipated to be developed, for Berry Library, Gassett Fitness Center, and Marsh Hall. In addition, the university expects to complete a new roof on the main classroom building on North Campus, Meier Hall.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis - Continued
(Unaudited)

Requests for Further Information

This financial report is designed to provide a general overview of Salem State University's finances for all those with an interest in the University's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Vice President for Finance and Facilities/CFO, 352 Lafayette Street, Salem, Massachusetts 01970-5353

Draft

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Statements of Net Position

June 30, 2018 and 2017

Assets and Deferred Outflows of Resources

	<u>Primary Government</u>		<u>Component Units</u>	
	<u>2018 University</u>	(Restated) <u>2017 University</u>	<u>2018 Combined</u>	<u>2017 Combined</u>
Current Assets:				
Cash and cash equivalents	\$ 15,367,405	\$ 14,010,653	\$ 2,250,754	\$ 1,840,935
Restricted cash and cash equivalents	3,213,500	2,930,861	717,772	861,762
Deposits held by State Treasurer	2,850,506	1,751,316	-	-
Cash held by State Treasurer	1,106,109	969,059	-	-
Deposits held by MSCBA and DCAMM	971,179	792,862	-	-
Investments	14,121,886	12,867,542	-	-
Accounts, grants and other receivable, net	6,506,901	5,958,760	14,410	16,158
Pledges receivable, net	-	-	672,225	1,303,299
Note receivable	-	-	40,000	40,000
Loans receivable	250,410	221,611	-	-
Other current assets	47,107	406,681	4,396	2,407
Total Current Assets	44,435,003	39,909,345	3,699,557	4,064,561
Non-Current Assets:				
Investments	667,464	676,501	31,457,365	29,486,822
Loans receivable, net of current portion	1,713,034	1,806,097	-	-
Pledges receivable, net	-	-	3,857,094	4,174,556
Note receivable, net of current portion	-	-	166,667	206,667
Capital assets, net	169,690,567	172,648,089	11,618,094	11,755,930
Debt service reserve	1,473,340	1,473,340	-	-
Total Non-Current Assets	173,544,405	176,604,027	47,099,220	45,623,975
Total Assets	217,979,408	216,513,372	50,798,777	49,688,536
Deferred Outflow of Resources:				
Deferred outflows for pensions	14,492,026	19,626,524	-	-
Deferred outflows for other post employment benefits	12,267,234	2,181,990	-	-
Total Deferred Outflows of Resources	26,759,260	21,808,514	-	-
Total Assets and Deferred Outflows of Resources	\$ 244,738,668	\$ 238,321,886	\$ 50,798,777	\$ 49,688,536

See accompanying notes to the financial statements.

Liabilities, Deferred Inflows of Resources and Net Position

	Primary Government		Component Units	
	2018 University	(Restated) 2017 University	2018 Combined	2017 Combined
Current Liabilities:				
Accounts payable and accrued expenses	\$ 4,485,626	\$ 4,035,476	\$ 335,697	\$ 340,824
Accrued payroll	7,850,759	7,711,373	-	-
Accrued compensated absences	5,865,631	6,120,020	-	-
Accrued workers' compensation	263,326	222,168	-	-
Unearned revenues	3,025,622	3,143,250	27,153	-
Note payable	19,032	81,546	66,127	70,135
Bonds payable	2,169,871	2,071,341	366,725	350,010
Deposits	360,700	299,677	-	-
Total Current Liabilities	24,040,567	23,684,851	795,702	760,969
Non-Current Liabilities:				
Accrued compensated absences	3,725,574	3,640,196	-	-
Accrued workers' compensation	947,526	955,150	-	-
Notes payable, net of current portion	-	12,698	1,287,476	1,352,031
Bond payable, net of current portion	40,865,545	43,131,082	775,854	1,297,681
Loans payable - Federal financial assistance programs	2,145,448	2,190,173	-	-
Net pension liability	44,564,278	46,973,396	-	-
Net other post employment benefits liability	98,032,317	96,286,721	-	-
Other non-current liabilities	-	-	22,139	26,953
Total Non-Current Liabilities	190,280,688	193,189,416	2,085,469	2,676,665
Total Liabilities	214,321,255	216,874,267	2,881,171	3,437,634
Deferred Inflows of Resources:				
Service concession arrangements	745,820	997,902	-	-
Deferred inflows for pensions	4,747,854	3,890,105	-	-
Deferred inflows for other post employment benefits	13,048,344	-	-	-
Total Deferred Inflows of Resources	18,542,018	4,888,007	-	-
Net Position:				
Net investment in capital assets	130,219,350	131,099,107	9,121,912	8,686,073
Restricted:				
Nonexpendable	866,367	810,323	23,618,957	23,048,262
Expendable	5,737,349	5,174,752	12,772,099	12,580,873
Unrestricted	(124,947,671)	(120,524,570)	2,404,638	1,935,694
Total Net Position	11,875,395	16,559,612	47,917,606	46,250,902
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 244,738,668	\$ 238,321,886	\$ 50,798,777	\$ 49,688,536

SALEM STATE UNIVERSITY
 (an agency of the Commonwealth of Massachusetts)
Statements of Revenues and Expenses
For the Years Ended June 30, 2018 and 2017

	<u>Primary Government</u>		<u>Component Units</u>	
	<u>2018 University</u>	<u>2017 University</u>	<u>2018 Combined</u>	<u>2017 Combined</u>
Operating Revenues:				
Tuition and fees	\$ 88,009,192	\$ 84,587,147	\$ -	\$ -
Less: scholarships and fellowships	(18,442,753)	(17,694,347)	-	-
Net tuition and fees	69,566,439	66,892,800	-	-
Federal grants and contracts	14,514,728	14,101,909	-	-
State grants and contracts	4,669,873	4,861,321	-	-
Private grants and contracts	287,535	342,932	-	-
Gifts and contributions	-	-	1,703,556	6,088,753
Sales and services of educational departments	1,295,944	1,333,282	-	-
Auxiliary enterprises	23,423,196	22,398,146	1,932,069	860,594
Other operating revenues	452,743	364,117	68,723	116,443
Total Operating Revenues	114,210,458	110,294,507	3,704,348	7,065,790
Operating Expenses:				
Educational and general:				
Instruction	66,301,101	64,462,316	-	-
Public service	1,611,369	1,755,239	1,553,939	1,979,892
Academic support	17,583,644	16,898,704	-	-
Student services	19,214,409	19,222,838	-	-
Institutional support	26,786,786	27,765,194	709,430	244,062
Operation and maintenance of plant	17,676,642	15,599,380	-	-
Scholarships	6,185,534	5,626,549	497,287	445,941
Depreciation	8,902,845	8,476,817	161,727	165,798
Auxiliary enterprises	19,645,530	18,784,153	1,602,668	1,452,665
Total Operating Expenses	183,907,860	178,591,190	4,525,051	4,288,358
Net Operating Income (Loss)	(69,697,402)	(68,296,683)	(820,703)	2,777,432
Non-Operating Revenues (Expenses):				
State appropriations, net	60,128,013	58,767,638	338,049	1,194,450
Contribution to the Assistance Corporation	-	(896,488)	-	896,488
Gifts	2,160,161	1,800,982	-	-
Investment income	1,511,417	1,755,476	2,262,026	2,757,774
Other non-operating revenue	-	-	1,815	3,600
Interest expense	(1,736,609)	(1,157,237)	(114,483)	(130,268)
Net Non-Operating Revenues	62,062,982	60,270,371	2,487,407	4,722,044
Increase (Decrease) in Net Position Before Capital Grants	(7,634,420)	(8,026,312)	1,666,704	7,499,476
Capital grants	2,950,203	7,710,621	-	-
Total Increase (Decrease) in Net Position	\$ (4,684,217)	\$ (315,691)	\$ 1,666,704	\$ 7,499,476

See accompanying notes to the financial statements.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Statements of Changes in Net Position

For the Years Ended June 30, 2018 and 2017

	<u>University</u>				<u>Total</u>
	<u>Net Investment in Capital Assets</u>	<u>Restricted Nonexpendable</u>	<u>Restricted Expendable</u>	<u>Unrestricted</u>	
Balance at July 1, 2016, as previously reported	\$ 122,164,882	\$ 732,690	\$ 4,871,719	\$ (16,789,257)	\$ 110,980,034
Prior Period Adjustment- Implementation of newly effective accounting standard (Note 2)	-	-	-	(94,104,731)	(94,104,731)
Balance at July 1, 2016, restated	122,164,882	732,690	4,871,719	(110,893,988)	16,875,303
Changes in net position for 2017	8,934,225	77,633	303,033	(9,630,582)	(315,691)
Balance, June 30, 2017, restated	131,099,107	810,323	5,174,752	(120,524,570)	16,559,612
Changes in net position for 2018	(879,757)	56,044	562,597	(4,423,101)	(4,684,217)
Balance, June 30, 2018	<u>\$ 130,219,350</u>	<u>\$ 866,367</u>	<u>\$ 5,737,349</u>	<u>\$(124,947,671)</u>	<u>\$ 11,875,395</u>
	<u>Component Units</u>				<u>Total</u>
	<u>Net Investment in Capital Assets</u>	<u>Restricted Nonexpendable</u>	<u>Restricted Expendable</u>	<u>Unrestricted</u>	
Balance at June 30, 2016	\$ 7,399,040	\$ 19,058,482	\$ 11,033,273	\$ 1,260,631	\$ 38,751,426
Changes in net position for 2017	1,287,033	3,989,780	1,547,600	675,063	7,499,476
Balance, June 30, 2017	8,686,073	23,048,262	12,580,873	1,935,694	46,250,902
Changes in net position for 2018	435,839	570,695	191,226	468,944	1,666,704
Balance, June 30, 2018	<u>\$ 9,121,912</u>	<u>\$ 23,618,957</u>	<u>\$ 12,772,099</u>	<u>\$ 2,404,638</u>	<u>\$ 47,917,606</u>

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Statements of Cash Flows

For the Years Ended June 30, 2018 and 2017

	Primary Government	
	2018 University	2017 University
Cash Flows from Operating Activities:		
Tuition and fees	\$ 68,605,024	\$ 66,908,026
Grants and contracts	19,460,215	19,403,996
Payments to suppliers and vendors	(41,940,233)	(41,637,267)
Payments to employees	(90,903,191)	(91,278,270)
Payments for benefits	(11,204,412)	(11,390,707)
Payments to students	(6,185,534)	(5,626,549)
Loans issued to students	(287,316)	(443,455)
Collection of loans to students	326,065	410,001
Auxiliary enterprises receipts	23,488,503	20,931,923
Sales and services of educational departments	1,311,895	1,552,996
Other	342,178	426,508
Net Cash Used in Operating Activities	<u>(36,986,806)</u>	<u>(40,742,798)</u>
Cash Flows from Non-Capital Financing Activities:		
State appropriations	45,404,188	44,935,946
Tuition remitted to State	(926,090)	(934,235)
Student interest received (paid)	(34,149)	(56,355)
Contributions to the Assistance Corporation	-	(896,488)
Gifts	2,318,535	1,468,970
Net Cash Provided by Non-Capital Financing Activities	<u>46,762,484</u>	<u>44,517,838</u>
Cash Flows from Capital Financing Activities:		
Purchases of capital assets	(3,196,369)	(9,141,741)
Principal paid on bonds payable and notes payable	(1,826,339)	(1,776,053)
Interest paid on bonds payable	(1,949,078)	(1,965,733)
Proceeds from bond financing	-	3,795,907
Net Cash Used in Capital Financing Activities	<u>(6,971,786)</u>	<u>(9,087,620)</u>
Cash Flows from Investing Activities:		
Investment income	613,290	410,114
Proceeds from sale of investments	7,081,327	6,132,241
Purchase of investments	(7,444,561)	(6,003,481)
Net Cash Provided by Investing Activities	<u>250,056</u>	<u>538,874</u>
Net Increase (Decrease) in Cash and Equivalents	3,053,948	(4,773,706)
Cash and Cash Equivalents, Beginning of the Year	<u>20,454,751</u>	<u>25,228,457</u>
Cash and Cash Equivalents, End of the Year	\$ 23,508,699	\$ 20,454,751

See accompanying notes to the financial statements.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Statements of Cash Flows - Continued

For the Years Ended June 30, 2018 and 2017

	Primary Government	
	2018 University	2017 University
Reconciliation of Net Operating Loss to Net Cash Applied to Operating Activities:		
Net operating loss	\$ (69,697,402)	\$ (68,296,683)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Depreciation	8,902,845	8,476,817
Bad debts	717,039	446,812
Fringe benefits provided by State	15,649,915	14,765,927
Changes in assets and liabilities:		
Accounts receivable	(1,418,077)	2,611,309
Accounts payable and accrued liabilities	359,575	489,678
Accrued payroll and benefits	447,993	838,565
Other assets	3,908	(369,514)
Loans to/from students	64,263	(21,905)
Deposits	61,022	43,057
Unearned revenues	(117,628)	(4,016,794)
Deferred inflows	13,654,009	2,162,097
Deferred outflows	(4,950,746)	(548,434)
Net pension activity	(2,409,118)	2,676,270
Net OPEB activity	1,745,596	-
Net Cash Used in Operating Activities	<u>\$ (36,986,806)</u>	<u>\$ (40,742,798)</u>

Cash Flow Information

	Primary Government	
	2018 University	2017 University
For purposes of the statement of cash flows, cash and equivalents are comprised of the following at June 30:		
Cash and cash equivalents	\$ 15,367,405	\$ 14,010,653
Deposits held by State Treasurer	2,850,506	1,751,316
Cash held by State Treasurer	1,106,109	969,059
Deposits held by MSCBA and DCAMM	971,179	792,862
Restricted cash and cash equivalents	3,213,500	2,930,861
	<u>\$ 23,508,699</u>	<u>\$ 20,454,751</u>

Schedule of noncash investing and financing activities

	Primary Government	
	2018 University	2017 University
Acquisition of capital assets	\$ 6,160,286	\$ 17,419,919
Accounts payable beginning of year	115,077	-
Accounts payable end of year	(128,791)	(115,077)
Payments made by DCAMM	(2,950,203)	(7,710,621)
Interest capitalized in CIP	-	(452,480)
Cash payments for capital assets	<u>\$ 3,196,369</u>	<u>\$ 9,141,741</u>
Unrealized gain (loss) on marketable securities	<u>\$ 438,220</u>	<u>\$ 737,752</u>
Fringe benefits paid by the Commonwealth of Massachusetts	<u>\$ 15,649,915</u>	<u>\$ 14,765,927</u>

See accompanying notes to the financial statements.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Combining Statements of Net Position of Major Component Units

June 30, 2018 and 2017

	<u>Assets</u>					
	2018			2017		
	Foundation	Assistance Corp.	Combined	Foundation	Assistance Corp.	Combined
Current Assets:						
Cash and cash equivalents	\$ 1,767,235	\$ 483,519	\$ 2,250,754	\$ 1,412,112	\$ 428,823	\$ 1,840,935
Restricted cash and cash equivalents	717,772	-	717,772	861,762	-	861,762
Accounts, grants and other receivable, net	-	14,410	14,410	-	16,158	16,158
Pledges receivable, net	672,225	-	672,225	1,303,299	-	1,303,299
Note receivable	40,000	-	40,000	40,000	-	40,000
Other current assets	4,396	-	4,396	2,407	-	2,407
Total Current Assets	3,201,628	497,929	3,699,557	3,619,580	444,981	4,064,561
Non-Current Assets:						
Investments securities	31,457,365	-	31,457,365	29,486,822	-	29,486,822
Pledges receivable, net of current portion	3,857,094	-	3,857,094	4,174,556	-	4,174,556
Note receivables, net of current portion	166,667	-	166,667	206,667	-	206,667
Capital assets, net	-	11,618,094	11,618,094	-	11,755,930	11,755,930
Total Non-Current Assets	35,481,126	11,618,094	47,099,220	33,868,045	11,755,930	45,623,975
Total Assets	\$ 38,682,754	\$ 12,116,023	\$ 50,798,777	\$ 37,487,625	\$ 12,200,911	\$ 49,688,536
	<u>Liabilities and Net Position</u>					
Current Liabilities:						
Accounts payable and accrued expenses	\$ 262,031	\$ 73,666	\$ 335,697	\$ 298,981	\$ 41,843	\$ 340,824
Unearned revenues	27,153	-	27,153	-	-	-
Note payable	-	66,127	66,127	-	70,135	70,135
Bond payable	-	366,725	366,725	-	350,010	350,010
Total Current Liabilities	289,184	506,518	795,702	298,981	461,988	760,969
Non-Current Liabilities:						
Note payable, net of current portion	-	1,287,476	1,287,476	-	1,352,031	1,352,031
Bond payable, net of current portion	-	775,854	775,854	-	1,297,681	1,297,681
Other non-current liabilities	-	22,139	22,139	-	26,953	26,953
Total-Non Current Liabilities	-	2,085,469	2,085,469	-	2,676,665	2,676,665
Total Liabilities	289,184	2,591,987	2,881,171	298,981	3,138,653	3,437,634
Net Position:						
Net investment in capital assets	-	9,121,912	9,121,912	-	8,686,073	8,686,073
Restricted:						
Nonexpendable	23,618,957	-	23,618,957	23,048,262	-	23,048,262
Expendable	12,772,099	-	12,772,099	12,581,460	-	12,581,460
Unrestricted	2,002,514	402,124	2,404,638	1,558,922	376,185	1,935,107
Total Net Position	38,393,570	9,524,036	47,917,606	37,188,644	9,062,258	46,250,902
Total Liabilities and Net Position	\$ 38,682,754	\$ 12,116,023	\$ 50,798,777	\$ 37,487,625	\$ 12,200,911	\$ 49,688,536

See accompanying notes to the financial statements

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

**Combining Statements of Revenues and Expenses
of Major Component Units**

For the Years Ended June 30, 2018 and 2017

	2018			2017		
	Foundation	Assistance Corp.	Combined	Foundation	Assistance Corp.	Combined
Operating Revenues:						
Gifts and contributions	\$ 1,703,556	\$ -	\$ 1,703,556	\$ 6,088,753	\$ -	\$ 6,088,753
Auxiliary enterprises	-	1,932,069	1,932,069	-	860,594	860,594
Other operating revenues	-	68,723	68,723	-	116,443	116,443
Total Operating Revenues	1,703,556	2,000,792	3,704,348	6,088,753	977,037	7,065,790
Operating Expenses:						
Educational and general:						
Public service	1,553,939	-	1,553,939	1,979,892	-	1,979,892
Institutional support	709,430	-	709,430	244,062	-	244,062
Scholarships	497,287	-	497,287	445,941	-	445,941
Depreciation and amortization	-	161,727	161,727	-	165,798	165,798
Auxiliary enterprises	-	1,602,668	1,602,668	-	1,452,665	1,452,665
Total Operating Expenses	2,760,656	1,764,395	4,525,051	2,669,895	1,618,463	4,288,358
Net Operating Income	(1,057,100)	236,397	(820,703)	3,418,858	(641,426)	2,777,432
Non-Operating Revenues (Expenses):						
State appropriations, net	-	338,049	338,049	-	1,194,450	1,194,450
Contribution to the Assistance Corporation	-	-	-	-	896,488	896,488
Investment income	2,262,026	-	2,262,026	2,757,774	-	2,757,774
Other non-operating revenue	-	1,815	1,815	-	3,600	3,600
Interest expense	-	(114,483)	(114,483)	-	(130,268)	(130,268)
Net Non-Operating Revenues	2,262,026	225,381	2,487,407	2,757,774	1,964,270	4,722,044
Total Increase (Decrease) in Net Position	1,204,926	461,778	1,666,704	6,176,632	1,322,844	7,499,476
Net Position, Beginning of Year	37,188,644	9,062,258	46,250,902	31,012,012	7,739,414	38,751,426
Net Position, End of Year	\$ 38,393,570	\$ 9,524,036	\$ 47,917,606	\$ 37,188,644	\$ 9,062,258	\$ 46,250,902

See accompanying notes to the financial statements.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements

June 30, 2018 and 2017

Note 1 - **Summary of Significant Accounting Policies**

Organization

Salem State University (the “University”) is a public, State-supported, comprehensive four-year university, located in Salem, Massachusetts, and governed by a local Board of Trustees under the direction of the Massachusetts Department of Higher Education. The University is empowered to award baccalaureate and master’s degrees in education, business and arts and sciences, as well as conduct programs of continuing education. The University is accredited by the New England Association of Schools and Colleges.

Basis of Presentation and Accounting

The University is an agency of the Commonwealth of Massachusetts (the “State” or the “Commonwealth”). The accompanying financial statements reflect only the transactions of the University and its discretely presented component units. Accordingly, the accompanying financial statements may not necessarily be indicative of the conditions that would have existed if the University had been operated independently of the State.

The following discretely presented component units have been aggregated into a single combined column:

The Salem State University Foundation, Inc. (the “Foundation”) was formed in 1977 to render financial assistance and support to the educational programs and development of the University. The Foundation is legally separate from the University, and the University is not financially accountable for the Foundation. The Foundation has been included because of the nature and significance of its relationship with the University. Complete financial statements can be obtained from the Foundation’s administrative offices in Salem, Massachusetts.

In 1995, Salem State University Assistance Corporation (the “Assistance Corporation”) was formed as a result of legislation established by the Commonwealth of Massachusetts. The Assistance Corporation was created to promote the orderly growth and development of the University and to assist the University in securing physical and financial resources necessary for the acquisition and development of a site formerly known as the GTE Sylvania plant. In June 2012, legislation was approved further defining the parameters of this “site” to include other such properties determined by the Assistance Corporation to fulfill its mission.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2018 and 2017

Note 1 - **Summary of Significant Accounting Policies - Continued**

Basis of Presentation and Accounting - continued

The Assistance Corporation owns and operates commercial rental properties at this site in Salem, Massachusetts and is legally separate from the University, and the University is not financially accountable for the Assistance Corporation. The Assistance Corporation has been included because of the nature and significance of its relationship with the University. Complete financial statements can be obtained from the Assistance Corporation's administrative offices in Salem, Massachusetts.

During the years ended June 30, 2018 and 2017, the Foundation distributed scholarships in the amount of \$497,287 and \$445,941, respectively, directly to students of the University. Complete financial statements for the Foundation and the Assistance Corporation can be obtained from the Office of the Vice President for Finance and Business, Salem State University, 352 Lafayette Street, Salem, MA 01970.

The University has determined that it functions as a business-type activity, as defined by the Governmental Accounting Standards Board ("GASB"). The effect of inter-fund activity has been eliminated from these financial statements. The basic financial statements and required supplementary information for general-purpose governments consist of management's discussion and analysis, basic financial statements and required supplementary information. The University presents statements of net position, revenues and expenses, changes in net position and cash flows on a combined University-wide basis.

The University's financial statements have been prepared using the "economic resources measurement focus" and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as prescribed by GASB. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Salem State University Foundation, as a nonprofit organization, reports under Financial Accounting Standards Board ("FASB") guidance on financial reporting for Not-for-Profit Entities. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. Other than the reclassification of certain items, no modifications have been made to the Foundation's financial information in the University's financial statements.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2018 and 2017

Note 1 - **Summary of Significant Accounting Policies - Continued**

Basis of Presentation and Accounting - continued

The University's policy for defining operating activities in the statements of revenues and expenses are those that generally result from exchange transactions such as the payment received for services and payment made for the purchases of goods and services. Certain other transactions are reported as non-operating activities in accordance with GASB Statement No. 35. These non-operating activities include the University's operating and capital appropriations from the Commonwealth of Massachusetts, net investment income, gifts and interest expense.

The accompanying statements of revenues and expenses demonstrate the degree to which the direct expenses of a given function are offset by programs revenues. Direct expenses are those that are charges to students or others who enroll or directly benefit from services that are provided by a particular function. Items not meeting the definition of program revenues are instead reported as general revenue.

In accordance with the requirements of the Commonwealth of Massachusetts, the University's operations are accounted for in several trust funds. All of those trust funds have been consolidated and are included in these financial statements.

Net Position

GASB Statement No. 34 requires that resources be classified for accounting purposes into the following three net position categories:

Net investment in capital assets: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt are also included in this component of net position.

Restricted:

Nonexpendable - Component of net position whose net assets are subject to externally-imposed stipulations that they be maintained permanently by the University. Such assets include the University's permanent endowment funds.

Expendable - Component of net position whose use by the University is subject to externally-imposed stipulations that can be fulfilled by the actions of the University pursuant to those stipulations or that expire by the passage of time.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2018 and 2017

Note 1 - **Summary of Significant Accounting Policies - Continued**

Basis of Presentation and Accounting - continued

Unrestricted: All other categories of net position. Unrestricted net assets may be designed for specific purposes by action of management or the Board of Trustees.

When both restricted and unrestricted resources are available for use, it is the University's policy to use the restricted resources first, then unrestricted resources as they are needed.

Cash and Cash Equivalents and Deposits

The University's cash and cash equivalents are considered cash on hand, cash deposits held with the Commonwealth's State Treasurer and Receiver-General, Massachusetts State College Building Authority ("MSCBA") and the Division of Capital Asset Management and Maintenance ("DCAMM"), which are short-term, highly liquid investments with original maturities of three months or less from the date of acquisition.

Accounts Receivable

Accounts receivable are stated at the amount the University expects to collect from outstanding balances. Provisions for losses on accounts receivables are determined on the basis of loss experience, known and inherent risks in the loan and receivable portfolio, the estimated value of underlying collateral and current economic conditions.

Pledges Receivable - Foundation

Unconditional promises to give that are expected to be collected or paid within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected or paid in future years are recorded at the present value of their estimated cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received or paid. Amortization of the discounts is included in contribution revenue or expenses. Conditional promises to give are not included in support or expenses until the conditions are substantially met.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2018 and 2017

Note 1 - Summary of Significant Accounting Policies - Continued

Investments

Investments held with the Commonwealth's State Treasurer and Receiver-General in the Massachusetts Municipal Depository Trust ("MMDT") are reported at amortized cost. The MMDT is an investment pool for political subdivisions in the Commonwealth that was designed as a legal means to safely invest temporarily available cash. Its primary purpose is to provide a safe, liquid, high-yield investment vehicle offering participation in a diversified portfolio of high quality money market instruments. The MMDT, an instrumentality of the State Treasurer, is not a bank, savings institution or financial institution, and is not subject to FDIC insurance. MMDT operates as a qualifying external investment pool and is valued by MMDT's management on an amortized cost where the net asset value is \$1 per share.

Investments include marketable debt and equity securities which are carried at their readily determinable fair values. Realized and unrealized gains and losses are included in non-operating revenues. Gains and losses on the disposition of investments are determined based on specific identification of securities sold or the average cost method. Investment income is recognized when earned and is generally credited to the trust fund holding the related assets.

Dividends, interest and net gains or losses on investments are reported in the Statement of Revenues and Expenses. Any net earnings not expended are included in net position categories as follows:

- i. as increases in restricted - nonexpendable net position if the terms of the gift require that they be added to the principal of a permanent endowment fund;
- ii. as increases in restricted - expendable net position if the terms of the gift or the University's interpretation of relevant state law impose restrictions on the current use of income or net gains. The University has relied upon the Attorney General's interpretation of state law that unappropriated endowment gains should be classified as restricted - expendable; and,
- iii. as increases in unrestricted net position in all other cases.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2018 and 2017

Note 1 - **Summary of Significant Accounting Policies - Continued**

Investments - continued

Massachusetts General Law, Chapter 15, grants authority to the University's Board of Trustees to administer the general business of the University. Inherent in this is the authority to invest the funds of the University. Chapter 15 further grants the Trustees the authority to delegate to the President any said powers or responsibilities. The Board of Trustees of Salem State University has delegated the authority to make specific investment decisions to the President of the University and the Finance Committee of the Board of Trustees. The University's investments consist of debt, marketable equity securities, mutual funds and other investments which are carried at their fair values. The primary cash equivalent funds are within the MMDT, the external investment pool for political subdivisions of the Commonwealth.

The Foundation's investments consist of debt, marketable equity securities, mutual funds and other investments which are carried at their fair value. Unrealized gains and losses are included in revenue. Restricted investment income and gains are reported as increases in unrestricted net position, unless a donor or law temporarily (expendable) or permanently (non-expendable) restricts their use. Gains and losses on the disposition of investments are principally determined based on the first-in, first-out method or specific identification of securities sold. Investment income is recognized when earned. Dividends are recorded on the ex-dividend date.

Loans Receivable and Payable

Loans receivable consist primarily of the Federal Perkins Loan Program ("Perkins") and the Federal Nursing Student Loan Program ("NSL"). The Federal Government provides the majority of the funds to support these programs. Loan payments received from students made under the Perkins and NSL loan programs provided by the Federal Government is refundable to the Federal Government upon ending (liquidation) of the University's participation in the programs. The amount due to the Federal Government upon liquidation is included as a noncurrent liability in the accompanying financial statements. See Note 8 for changes in the Perkins Loan Program.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2018 and 2017

Note 1 - **Summary of Significant Accounting Policies - Continued**

Loans Receivable and Payable- continued

The prescribed practices for the Perkins and NSL programs do not provide for accrual of interest on student loans receivable or for the provision of an allowance for doubtful loans. Accordingly, interest on loans is recorded as received and loan balances are reduced subsequent to the determination of their uncollectability and have been accepted (assigned) by the Department of Education and the Department of Health and Human Services. Management closely monitors outstanding balances and assigns loans to the Department of Education based upon such factors as student payment history, current status of applicable students, and the results of collection efforts.

Capital Assets

Capital assets are controlled but not owned by the University. The University is not able to sell or otherwise pledge its assets, since the assets are all owned by the Commonwealth of Massachusetts. Capital assets, which include land, construction in process, buildings, building and land improvements and furniture and equipment, are reported in the statement of net position at cost or fair market value, if donated. Capital assets are defined by the University as assets with an initial individual cost of more than \$50,000 for equipment and \$100,000 for Buildings and improvements in accordance with the Commonwealth's capitalization policy.

The University does not hold collections of historical treasures, works of art or other items not requiring capitalization or depreciation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets, with the exception of land, are depreciated using the straight-line method over estimated useful lives which range from 3 to 40 years.

The land on which the residence halls stand is leased by the MSCBA from the Commonwealth of Massachusetts at a yearly cost of one dollar. The residence halls have various lease terms and can be extended at the end of these terms for additional 10-year periods each.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2018 and 2017

Note 1 - **Summary of Significant Accounting Policies - Continued**

Capital Assets - continued

The University, in accordance with a management and services agreement between the MSCBA and the Commonwealth of Massachusetts, is charged a semi-annual revenue assessment which is based on a certified occupancy report, the current rent schedule and the design capacity for each of the residence halls. This revenue assessment is used by MSCBA to pay principal and interest due on its long-term debt obligations. These obligations may include the costs of periodic renovations and improvements to the residence halls. The revenue assessment amounts are included in the residential life auxiliary enterprises in the accompanying statements of revenue and expenses. All facilities and obligations of the MSCBA are included in the financial statements of the MSCBA. It is not practical to determine specific asset cost or liability attributable to the University. The leases, therefore, are accounted for under the operating method for financial statement purposes.

The Assistance Corporation capitalizes property and equipment in excess of \$1,000. Purchased property and equipment is capitalized at cost and depreciated using the straight-line method over the estimated useful lives of the respective assets.

Contributions - Foundation

In-kind rent and services contributed are recorded as contributions in revenues and other support at their fair market values on the date of receipt. The related expenses or assets are also recorded depending on the form of benefits received.

Deposits Held by Other State Agencies

Funds held by the MSCBA and the DCAMM are primarily for ongoing construction projects and are from bond proceeds and University sources.

Pensions

For purposes of measuring the net pension liability, deferred outflow of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Massachusetts State Employees' Retirement System plan ("SERS") and the additions to/deductions from SERS' fiduciary net position have been determined on the same basis as they are reported by SERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2018 and 2017

Note 1 - **Summary of Significant Accounting Policies - Continued**

Postemployment Benefits Other Than Pensions (“OPEB”)

For purposes of measuring the University's net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State Retirees' Benefit Trust (“SRBT”) and additions to/deductions from SRBT’s fiduciary net position have been determined on the same basis as they are reported by SRBT. For this purpose, SRBT recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Fringe Benefits

The University participates in the Commonwealth’s fringe benefit programs, including health insurance, unemployment and pension and workers’ compensation benefits. Health insurance, unemployment and pension costs are billed through a fringe benefit rate charged to the University. Workers’ compensation costs are assessed separately based on the University’s actual experience.

Compensated Absences

Employees earn the right to be compensated during absences for vacation and sick leave. Accrued vacation is the amount earned by all eligible employees through June 30th each year. Compensated sick leave represents 20% of amounts earned by those employees with ten or more years of state service at the end of each year. Upon termination of employment, these employees are entitled to receive payment for this accrued balance.

Deposits and Unearned Revenues

Deposits and advance payments received for tuition and fees related to certain summer programs and for the following academic year are deferred. Funds received in advance from various grants and contracts are deferred. Deposits and unearned revenues are recorded as revenue when earned.

Student Fees

Student tuition and other fees are presented net of scholarships and fellowships applied to students’ accounts. Other scholarships or financial aid in excess of tuition and fees are generally reflected as expenses.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2018 and 2017

Note 1 - **Summary of Significant Accounting Policies - Continued**

Interest Costs and Capitalization

The University follows the policy of capitalizing interest expense as a component of the cost of capital assets constructed for its own use. During 2018 and 2017, total interest costs incurred were approximately \$1,737,000 and \$1,684,000, respectively. During 2017, total interest costs capitalized were approximately \$453,000. There were no interest costs capitalized in 2018.

Tax Status

The University is an agency of the Commonwealth of Massachusetts and is therefore generally exempt from income taxes under Section 115 of the Internal Revenue Code.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions about future events. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Management evaluates the estimates and assumptions on an ongoing basis using historical experience and other factors that management believes to be reasonable under the circumstances. Adjustments to estimates and assumptions are made as facts and circumstances require. As future events and their effects cannot be determined with certainty, actual results may differ from the estimates used in preparing the accompanying financial statements. Significant estimates and assumptions are required as part of estimating an allowance for doubtful accounts, depreciation, net position classification, and determining the net pension and OPEB liabilities.

New Governmental Accounting Pronouncements

GASB Statement 83 – Certain Asset Retirement Obligations (“AROs”) is effective for periods beginning after June 15, 2018. An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs and requires that recognition occur when the liability is both incurred and reasonably estimable. Management has not completed its review of the requirements of this Statement and its applicability.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2018 and 2017

Note 1 - **Summary of Significant Accounting Policies - Continued**

New Governmental Accounting Pronouncements – continued

GASB Statement 84 – *Fiduciary Activities* is effective for periods beginning after December 15, 2018. The objective of this Statement is to establish criteria for identifying fiduciary activities. Activity meeting the established criteria would then be presented in a statement of net position and a statement of changes in net position. Pension and other employee benefit trust funds, investment trust funds, private-purpose trust funds and custodial funds would be reported, as applicable, according to this Statement. Information of component units of a primary government would be shown in the aggregate with the fiduciary funds of the primary government. Under this Statement, a liability could be recognized to the beneficiaries in a fiduciary fund if the government has been compelled to disburse fiduciary resources. Management has not yet evaluated the effects of the implementation of this Statement.

GASB Statement 87 – *Leases* is effective for periods beginning after December 15, 2019. Implementation of this standard will require lessees to recognize on their statement of net position the rights and obligations resulting from leases categorized as operating leases as assets, liabilities, or deferred inflows / outflows of resources. It provides for an election on leases with terms of less than twelve months to be excluded from this Statement. Management is in the process of evaluating this Statement and has not yet determined its impact on the financial statements.

GASB Statement 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements* is effective for periods beginning after June 15, 2018. The objective of this statement is to improve the information that is disclosed in the notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This statement requires that additional essential information related to debt be disclosed in notes to the financial statements, including unused lines of credit, assets pledged as collateral for the debt, and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences and significant subjective acceleration clauses. The university is in the process of evaluating this standard and does not currently expect a material impact to the financial accounting and reporting framework.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2018 and 2017

Note 1 - **Summary of Significant Accounting Policies - Continued**

New Governmental Accounting Pronouncements – continued

GASB Statement 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* is effective for periods beginning after December 15, 2019. The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This statement establishes accounting requirements for interest cost incurred before the end of a construction period and requires that interest cost incurred before the end of a construction period be recognized as an expense for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The university is in the process of evaluating this standard and does not currently expect a material impact.

Reclassifications

Certain amounts in the 2017 financial statements have been reclassified to conform to the 2018 presentation.

Note 2 - **Restatement**

In fiscal year 2018, the University implemented the provisions of Governmental Accounting Standards Board (“GASB”) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Net position, as of July 1, 2017 and 2016 was restated to reflect the net OPEB liability as a result of retroactive application of the new standard. Deferred outflows of resources for 2017 was restated and represents the fiscal year 2017 contributions to the plan. Beginning deferred outflows and inflows due to changes in plan assumptions and differences resulting from projected versus actual gains and losses on investments were not provided, and accordingly the restatement of 2017 was focused on the effect as of the end of the year and does not present the changes in net position impact on the year ended June 30, 2017. As a result, those amounts were not presented in the restatement footnote below.

	July 1, 2016 (As Previously Reported)		Effect of GASB 75 Implementation		July 1, 2016 (As Restated)
Statement of Net Position:					
Deferred outflows of resources	\$ -		\$ 2,181,990		\$ 2,181,990
Net OPEB obligation	\$ -		\$ (96,286,721)		\$ (96,286,721)
Unrestricted net position	\$ (16,789,257)		\$ (94,104,731)		\$ (110,893,988)

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2018 and 2017

Note 3 - **Cash and Cash Equivalents and Deposits**

The carrying amounts of the University's cash and cash equivalents and deposits, net of amounts in transit at June 30, 2018 and 2017 were \$18,580,905 and \$16,941,514 respectively. This includes amounts held in deposit at MMDT of \$13,619,472 and \$11,672,504, as of June 30, 2018 and 2017, respectively.

At June 30, 2018 and 2017, the University had deposits of \$5,064,476 and \$5,026,475, respectively, held in a money market account which was insured by a third party up to a maximum of \$5 million.

Custodial Credit Risk

Custodial credit risk is the risk associated with the failure of a depository financial institution. The occurrence of such an event would limit the University's recovery of funds deposited with the institution to those amounts covered by the Federal Deposit Insurance Corporation ("FDIC") and other third-party insurance in effect at the time of the failure. The University's goal is to mitigate as much custodial risk associated with its cash assets as possible. Deposits in the bank in excess of the insured amounts are uninsured and uncollateralized.

The University places funds with the MMDT, which is an instrumentality of the Treasurer of the Commonwealth and therefore is not covered by FDIC insurance and its political sub-divisions. It is designed as a legal means to temporarily invest available cash in safe, liquid and high yield investment vehicles by offering participation in a diversified portfolio of high quality money market instruments.

The University does not have a formal policy with respect to the custodial credit risk. Custodial credit risk is that, in the event of a failure of the counterparty, the University will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

Amounts remaining that may be exposed to custodial risk at June 30, 2018 and 2017 were \$422,245 and \$541,734, respectively, which are primarily maintained as part of the University's investment portfolio.

The University maintains a \$50,000 target balance in its clearing account which is fully covered under FDIC limits. Any amounts greater than the target balance are transferred based on an overnight purchase agreement. The investments in these agreements are U.S. agency issued securities fully backed by the U.S. Government.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2018 and 2017

Note 3 - **Cash and Cash Equivalents and Deposits - Continued**

Credit Risk

The University is required to comply with the Commonwealth of Massachusetts' deposit and investment policies which are principally defined in the Massachusetts General Laws, Chapter 29. State Statutes permit investment in obligations of the U.S. Treasury, authorized bonds of all states, bankers' acceptances, certificates of deposit, commercial paper rated within the three highest classifications established by Standard & Poor's Corporation and Moody's Commercial Paper Record and repurchase agreements secured by any of these obligations. The University has also adopted its own formal investment policy, the objectives of which are: safety of principal; liquidity for operating needs; and return on investment. The University's investment policy generally limits the maturities of investments to not more than seven years. The University may also appoint a professional fund manager and invest in equity and bond funds. Eligible investments shall be consistent with those permitted by State Statutes.

As of June 30, 2018, and 2017, the fair values of the University's deposits held at the Massachusetts Municipal Depository Trust were \$13,619,472 and \$11,672,504, respectively. At June 30, 2018, the approximate percentage of the University's deposits held at the MMDT and the respective investment maturities in days were as follows: 71% at 30 days or less; 20% at 31-90 days; and 9% at 91-180 days. At June 30, 2017, the approximate percentage of the University's deposits held at the MMDT and the respective investment maturities in days were as follows: 59% at 30 days or less; 25% at 31-90 days; 14% at 91-180 days; and 2% at 181 days or more.

Note 4 - **Cash Held By State Treasurer**

Cash forwarded by the University to and held by the State Treasurer for payment of so-called "non-appropriated" liabilities at June 30, 2018 and 2017 through Massachusetts Management Accounting Reporting System ("MMARS") were recorded in the sums of \$2,850,506 and \$1,751,316, respectively.

Liabilities to be funded by state appropriations at June 30, 2018 and 2017 were \$1,106,109 and \$969,059, respectively.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2018 and 2017

Note 5 - **Investments**

The University investments have been categorized based upon the fair value hierarchy in accordance with GASB 72 below. The Foundation follows similar guidance in accordance with Financial Accounting Standards Codification ASC 820-10 which prioritizes the inputs to valuation techniques used to measure fair value of investment assets into three levels also.

Level 1 - Observable market prices (unadjusted) in active markets for identical assets or liabilities that the University can access at measurement date.

Level 2 - Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3 - Unobservable inputs that are not corroborated by observable market data.

Mutual funds and common stock are valued at daily closing prices as reported by the fund while common stocks and corporate bonds are valued either by using pricing models maximizing the use of observable inputs for similar securities or valued by the investment manager. The stock and mutual funds are classified as Level 1 and are deemed to be actively traded. U.S. Government obligations are valued using quoted prices, documented trade history in the security, and pricing models maximizing the use of observable inputs.

University

The University's investments at fair value measurement are as follows at June 30, 2018:

	Level 1	Level 2	Level 3	Total
Mutual funds:				
International equities	\$ 1,044,578	\$ -	\$ -	\$ 1,044,578
U.S. equities	852,932	-	-	852,932
Global equities (US & international)	498,496	-	-	498,496
Corporate bonds	502,235	-	-	502,235
U.S. Treasuries	654,026	-	-	654,026
International emerging	313,863	-	-	313,863
Small Cap equities	306,837	-	-	306,837
Short-term fixed income	207,774	-	-	207,774
Total mutual funds	4,380,741	-	-	4,380,741
Common stocks	6,317,319	-	-	6,317,319
Corporate bonds	-	4,091,290	-	4,091,290
Total investment assets	<u>\$ 10,698,060</u>	<u>\$ 4,091,290</u>	<u>\$ -</u>	<u>\$ 14,789,350</u>

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2018 and 2017

Note 5 - **Investments - Continued**

University - continued

The University's investments at fair value measurement are as follows at June 30, 2017:

	Level 1	Level 2	Level 3	Total
Mutual funds:				
International equities	\$ 792,724	\$ -	\$ -	\$ 792,724
U.S. equities	1,195,212	-	-	1,195,212
Corporate bonds	465,470	-	-	465,470
U.S. Treasuries	455,276	-	-	455,276
International emerging	252,038	-	-	252,038
Mid Cap equities	273,741	-	-	273,741
Short-term fixed income	182,090	-	-	182,090
Total mutual funds	3,616,551	-	-	3,616,551
Common stocks	6,407,622	-	-	6,407,622
Corporate bonds	-	3,494,845	-	3,494,845
U.S. Government obligations	-	25,025	-	25,025
Total investment assets	\$10,024,173	\$ 3,519,870	\$ -	\$13,544,043

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2018 and 2017

Note 5 - **Investments - Continued**

Foundation

The Foundation's investments at fair value measurement are as follows at June 30, 2018:

	Level 1	Level 2	Level 3	Total
Mutual funds:				
International equities	\$ 3,246,112	\$ -	\$ -	\$ 3,246,112
U.S. equities	2,531,940	-	-	2,531,940
Large cap equities	1,204,789	-	-	1,204,789
International emerging	993,606	-	-	993,606
Short-term fixed income	704,492	-	-	704,492
International bonds	658,007	-	-	658,007
Hard assets	654,906	-	-	654,906
Corporate bonds	530,669	-	-	530,669
Fixed income	497,192	-	-	497,192
Small and mid-cap equities	429,136	-	-	429,136
U.S. bonds and notes	250,227	-	-	250,227
Total mutual funds	11,701,076	-	-	11,701,076
Common stocks	9,982,330	-	-	9,982,330
Corporate bonds	-	6,958,125	-	6,958,125
Money market	2,031,476	-	-	2,031,476
U.S. Government obligations	667,272	-	-	667,272
Certificates of deposits	-	116,586	-	116,586
Other	-	500	-	500
Total investment assets	\$ 24,382,154	\$ 7,075,211	\$ -	\$ 31,457,365

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2018 and 2017

Note 5 - **Investments - Continued**

Foundation - continued

The Foundation's investments at fair value measurement are as follows at June 30, 2017:

	Level 1	Level 2	Level 3	Total
Mutual funds:				
International equities	\$ 2,996,051	\$ -	\$ -	\$ 2,996,051
U.S. equities	2,216,383	-	-	2,216,383
Large cap equities	1,019,785	-	-	1,019,785
International emerging	619,887	-	-	619,887
Short-term fixed income	545,401	-	-	545,401
International bonds	632,583	-	-	632,583
Hard assets	629,337	-	-	629,337
Corporate bonds	475,171	-	-	475,171
Fixed income	421,279	-	-	421,279
Small and mid-cap equities	737,405	-	-	737,405
U.S. bonds and notes	197,975	-	-	197,975
Other	328,971	-	-	328,971
Total mutual funds	10,820,228	-	-	10,820,228
Common stocks	9,228,960	-	-	9,228,960
Corporate bonds	-	5,999,953	-	5,999,953
Money market	2,670,673	-	-	2,670,673
U.S. Government obligations	649,922	-	-	649,922
Certificates of deposits	-	116,586	-	116,586
Other	-	500	-	500
Total investment assets	\$ 23,369,783	\$ 6,117,039	\$ -	\$ 29,486,822

University

The University categorizes short-term investments according to the level of risk assumed by the University. At June 30, 2018 and 2017, investments totaled \$14,789,350 and \$13,544,043, respectively. These holdings represent investments that are insured, registered and held by the University's investment agent in the University's name. At June 30, 2018 and 2017, there were no individual investments that represented 5% or more of the University's portfolio. The University currently follows investment policies largely defined by the Commonwealth of Massachusetts as well as internal policies approved by the University's Board of Trustees.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2018 and 2017

Note 5 - **Investments - Continued**

University - continued

Investments of the University are exposed to interest rate and market risk. They are stated at fair market value and consist of the following:

June 30, 2018 Investment Maturity in Years					
Investment Type:	Fair Value	Less than 1	1-5	6-10	> 10
Corporate bonds	\$ 4,091,290	\$ 248,808	\$ 3,524,627	\$ 317,855	\$ -
Corporate bond funds	502,235	-	14,513	470,422	17,300
Short-term fixed income	207,774	-	207,774	-	-
U.S. Treasuries	654,026	-	347,801	306,225	-
Total fixed income	5,455,325	<u>\$ 248,808</u>	<u>\$ 4,094,715</u>	<u>\$ 1,094,502</u>	<u>\$ 17,300</u>
Equity securities	9,334,025				
Total investments	<u>\$ 14,789,350</u>				

June 30, 2017 Investment Maturity in Years				
Investment Type:	Fair Value	Less than 1	1-5	6-10
Corporate bonds	\$ 3,494,845	\$ -	\$ 2,076,238	\$ 1,418,607
Corporate bond funds	465,470	-	221,602	243,868
U.S. Government obligations	25,025	-	25,025	-
Short-term fixed income	182,090	182,090	-	-
U.S. Treasuries	455,276	-	48,058	407,218
Total fixed income	4,622,706	<u>\$ 182,090</u>	<u>\$ 2,370,923</u>	<u>\$ 2,069,693</u>
Equity securities	8,921,337			
Total investments	<u>\$ 13,544,043</u>			

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements –Continued

June 30, 2018 and 2017

Note 5 - **Investments - Continued**

University - continued

The following table summarizes the quality ratings of the University's debt investments at June 30, 2018:

	Quality Ratings							
	Fair Value	Ba2	Baa1	Baa2	A1	A2	A3	Not Rated
Corporate bonds	\$ 4,091,290	\$ 145,671	\$ 1,336,842	\$ 1,762,990	\$ 24,843	\$ 223,610	\$ 597,334	\$ -
Corporate bond funds	502,235	-	-	-	-	-	-	502,235
Short-term fixed income	207,774	-	-	-	-	-	-	207,774
U.S. Treasuries	654,026	-	-	-	-	-	-	654,026
Totals	\$ 5,455,325	\$ 145,671	\$ 1,336,842	\$ 1,762,990	\$ 24,843	\$ 223,610	\$ 597,334	\$ 1,364,035

The following table summarizes the quality ratings of the University's debt investments at June 30, 2017:

	Quality Ratings								
	Fair Value	Ba2	Baa1	Baa2	A1	A2	A3	AGCY	Not Rated
Corporate bonds	\$ 3,494,845	\$ 147,185	\$ 1,034,966	\$ 1,008,232	\$ 231,042	\$ 354,301	\$ 719,119	-	-
Corporate bond funds	465,470	-	-	-	-	-	-	-	465,470
U.S. Government obligations	25,025	-	-	-	-	-	-	25,025	-
Short-term fixed income	182,090	-	-	-	-	-	-	-	182,090
U.S. Treasuries	455,276	-	-	-	-	-	-	455,276	-
Totals	\$ 4,622,706	\$ 147,185	\$ 1,034,966	\$ 1,008,232	\$ 231,042	\$ 354,301	\$ 719,119	\$ 480,301	\$ 647,560

Investment Income, net

The following schedule summarizes the investment income in the statements of revenues and expenses for the University and Foundation for the years ended June 30:

	University 2018	University 2017	Foundation 2018	Foundation 2017
Interest and dividends	\$ 696,883	\$ 502,758	\$ 689,064	\$ 598,409
Net realized and unrealized gains	882,074	1,312,778	1,680,080	2,254,172
Investment fees	(67,540)	(60,060)	(107,118)	(94,807)
Total investment income	\$ 1,511,417	\$ 1,755,476	\$ 2,262,026	\$ 2,757,774

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2018 and 2017

Note 6 - **Accounts, Grants and Other Receivables**

The accounts, grants and other receivables balances were comprised of the following at June 30:

	2018	2017
Student accounts	\$ 12,535,024	\$ 11,452,495
Grants	752,514	620,278
Other	894,959	1,067,392
Total gross receivables	14,182,497	13,140,165
Less: allowance for doubtful accounts	(7,675,596)	(7,181,405)
Total accounts, grants and other receivables, net	\$ 6,506,901	\$ 5,958,760

Note 7 - **Pledges Receivable and Notes Receivable**

Pledges Receivable - Foundation

Pledges receivable for the Foundation consisted of the following as of June 30 and are expected to be realized as follows:

	2018	2017
Within one year	\$ 672,225	\$ 1,303,299
Between one to five years	4,320,771	4,696,662
More than five years	17,417	103,417
Total pledges receivables	5,010,413	6,103,378
Less:		
Allowance for doubtful accounts	(85,000)	(85,000)
Discount to net present value at 3%	(396,094)	(540,523)
Pledges receivable, net	4,529,319	5,477,855
Less: current portion of receivable	(672,225)	(1,303,299)
Long-term pledges receivable, net	\$ 3,857,094	\$ 4,174,556

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued
June 30, 2018 and 2017

Note 7 - **Pledges Receivable and Notes Receivable - Continued**

Notes Receivable - Foundation

During 2014, the Foundation provided a loan of \$600,000 to the Assistance Corporation to be used to purchase a property that was then leased to the University. The loan consisted of two notes: the first in the amount of \$200,000, requiring monthly principal payments of \$5,555 plus interest at 1.25%, maturing in August 2016; the second in the amount of \$400,000, requiring monthly principal payments of \$3,333 plus interest at 6.98% through August 2018, at which point the interest will be adjusted to the Federal Home Loan Bank of Boston Classic Rate for five-year maturities (3.17% and 2.28% at June 30, 2017 and 2016, respectively) plus 475 basis points. This note matures in August 2023. Funding was provided from the Foundation's investment portfolios and all repayments, including principal and interest, will be reinvested therein.

Note 8 - **Loans Receivable and Payable**

Loans receivable and payable consist primarily of the Federal Perkins Loan Program ("Perkins") and the Federal Nursing Loan Program ("NSL"). The Federal Government originally provided the majority of the funds to support these programs. The portion of the Perkins and NSL Programs provided by the Federal Government is refundable to the Federal Government upon the ending ("liquidation") of the University's participation in the programs.

The Federal Perkins Loan Program Extension Act of 2015 (the "Extension Act"), enacted on December 18, 2015, extended the Perkins Loan Program through September 30, 2017. The Extension Act states that new Perkins Loans cannot be disbursed to students after September 30, 2017. Students that received a fall semester Perkins loan disbursement before October 1, 2017 were eligible to receive a spring semester Perkins loan disbursement. No further extensions were granted for the program as of the date of issuance of these financial statements.

SALEM STATE UNIVERSITY
 (an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2018 and 2017

Note 8 - **Loans Receivable and Payable - Continued**

Loans receivable from students include the following at June 30:

	2018	2017
Perkins	\$ 1,363,700	\$ 1,433,891
Nursing	589,093	573,197
Other	10,651	20,620
Total loans receivable	1,963,444	2,027,708
Less: amount due in one year	(250,410)	(221,611)
Long-term loan receivables	\$ 1,713,034	\$ 1,806,097

As of June 30, amounts that are expected to be repaid to the Federal Government by the University upon ending of the University's participation in the program (liquidation), are as follows:

	2018	2017
Perkins	\$ 1,374,294	\$ 1,425,966
Nursing	771,154	761,207
Total loans payable	\$ 2,145,448	\$ 2,187,173

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2018 and 2017

Note 9 - **Capital Assets**

University

Capital asset activity for the University for the year ended June 30, 2018 is as follows:

	<u>Beginning Balance</u>	<u>Additions/ (Reductions)</u>	<u>Transfer to Capital Assets</u>	<u>Ending Balance</u>
Capital assets not depreciated:				
Land	\$ 2,536,173	\$ -	\$ -	\$ 2,536,173
Construction in process	6,371,516	6,160,286	(12,345,178)	\$ 186,624
Total capital assets not depreciated	<u>8,907,689</u>	<u>6,160,286</u>	<u>(12,345,178)</u>	<u>2,722,797</u>
Capital assets depreciated:				
Buildings	90,129,935	-	-	90,129,935
Buildings and land improvements	136,949,564	(214,963)	11,928,838	148,663,439
Furniture and equipment	30,401,235	-	416,340	30,817,575
Total capital assets depreciated	<u>257,480,734</u>	<u>(214,963)</u>	<u>12,345,178</u>	<u>269,610,949</u>
Total capital assets	<u>266,388,423</u>	<u>5,945,323</u>	<u>-</u>	<u>272,333,746</u>
Less: accumulated depreciation:				
Buildings	26,826,030	1,928,975	-	28,755,005
Building improvements	41,060,591	5,720,256	-	46,780,847
Furniture and equipment	25,853,713	1,253,614	-	27,107,327
Total accumulated depreciation	<u>93,740,334</u>	<u>8,902,845</u>	<u>-</u>	<u>102,643,179</u>
Capital assets, net	<u>\$ 172,648,089</u>	<u>\$ (2,957,522)</u>	<u>\$ -</u>	<u>\$ 169,690,567</u>

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2018 and 2017

Note 9 - **Capital Assets - Continued**

University - continued

Capital asset activity for the University for the year ended June 30, 2017 is as follows:

	Beginning Balance	Additions	Transfer to Capital Assets	Ending Balance
Capital assets not depreciated:				
Land	\$ 2,536,173	\$ -	\$ -	\$ 2,536,173
Construction in process	20,361,280	17,167,580	(31,157,344)	6,371,516
Total capital assets not depreciated	<u>22,897,453</u>	<u>17,167,580</u>	<u>(31,157,344)</u>	<u>8,907,689</u>
Capital assets depreciated:				
Buildings	90,129,935	-	-	90,129,935
Buildings and land improvements	106,433,382	-	30,516,182	136,949,564
Furniture and equipment	29,507,734	252,339	641,162	30,401,235
Total capital assets depreciated	<u>226,071,051</u>	<u>252,339</u>	<u>31,157,344</u>	<u>257,480,734</u>
Total capital assets	<u>248,968,504</u>	<u>17,419,919</u>	<u>-</u>	<u>266,388,423</u>
Less: accumulated depreciation:				
Buildings	24,897,058	1,928,972	-	26,826,030
Building improvements	35,878,971	5,181,620	-	41,060,591
Furniture and equipment	24,487,488	1,366,225	-	25,853,713
Total accumulated depreciation	<u>85,263,517</u>	<u>8,476,817</u>	<u>-</u>	<u>93,740,334</u>
Capital assets, net	<u>\$ 163,704,987</u>	<u>\$ 8,943,102</u>	<u>\$ -</u>	<u>\$ 172,648,089</u>

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2018 and 2017

Note 9 - **Capital Assets - Continued**

Assistance Corporation

Capital asset activity of the Assistance Corporation for the year ended June 30, 2018 was as follows:

	Beginning Balance	Additions	Ending Balance
Capital assets not depreciated:			
Land	\$ 8,161,482	\$ -	\$ 8,161,482
Total capital assets not depreciated	<u>8,161,482</u>	<u>-</u>	<u>8,161,482</u>
Capital assets depreciated:			
Buildings	1,785,560	-	1,785,560
Building improvements	4,214,941	17,373	4,232,314
Furniture and equipment	191,112	6,518	197,630
Total capital assets depreciated	<u>6,191,613</u>	<u>23,891</u>	<u>6,215,504</u>
Total capital assets	<u>14,353,095</u>	<u>23,891</u>	<u>14,376,986</u>
Less accumulated depreciation:			
Buildings	569,381	44,639	614,020
Buildings improvements	1,843,556	111,248	1,954,804
Furniture and equipment	184,228	5,840	190,068
Total accumulated depreciation	<u>2,597,165</u>	<u>161,727</u>	<u>2,758,892</u>
Capital assets, net	<u>\$ 11,755,930</u>	<u>\$ (137,836)</u>	<u>\$ 11,618,094</u>

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2018 and 2017

Note 9 - **Capital Assets - Continued**

Assistance Corporation - continued

Capital asset activity of the Assistance Corporation for the year ended June 30, 2017 was as follows:

	Beginning Balance	Additions	Ending Balance
Capital assets not depreciated:			
Land	\$ 7,621,892	\$ 539,590	\$ 8,161,482
Total capital assets not depreciated	<u>7,621,892</u>	<u>539,590</u>	<u>8,161,482</u>
Capital assets depreciated:			
Buildings	1,446,719	338,841	1,785,560
Building improvements	4,214,941	-	4,214,941
Furniture and equipment	191,112	-	191,112
Total capital assets depreciated	<u>5,852,772</u>	<u>338,841</u>	<u>6,191,613</u>
Total capital assets	<u>13,474,664</u>	<u>878,431</u>	<u>14,353,095</u>
Less accumulated depreciation:			
Buildings	533,213	36,168	569,381
Buildings improvements	1,723,433	120,123	1,843,556
Furniture and equipment	174,721	9,507	184,228
Total accumulated depreciation	<u>2,431,367</u>	<u>165,798</u>	<u>2,597,165</u>
Capital assets, net	<u>\$ 11,043,297</u>	<u>\$ 712,633</u>	<u>\$ 11,755,930</u>

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2018 and 2017

Note 10 - **Accounts Payable and Accrued Expenses**

Accounts payable and accrued expenses include the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Accounts payable - trade	\$ 2,678,429	\$ 2,230,457
Accrued interest payable	379,470	391,022
Tuition due to state	94,996	77,450
Other	1,332,731	1,336,547
Total accounts payable and accrued expenses	<u>\$ 4,485,626</u>	<u>\$ 4,035,476</u>

Note 11 - **Unearned Revenues**

Unearned revenues include tuition received in advance from students for courses commencing after June 30 primarily for following fiscal year's summer and fall semesters revenue and grant funds received in advance. Unearned revenues of the University include the following at June 30,:

	<u>2018</u>	<u>2017</u>
Tuition and fees	\$ 2,514,395	\$ 2,726,159
Grants	511,227	415,797
Other	-	1,294
Total unearned revenue	<u>\$ 3,025,622</u>	<u>\$ 3,143,250</u>

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2018 and 2017

Note 12 - **Long-Term Liabilities**

Long-term liabilities of the University at June 30, 2018 consist of:

	(Restated) Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bond, loans and note payable:					
Bonds payable	\$ 41,819,483	\$ -	\$ 1,966,115	\$ 39,853,368	\$ 1,968,979
Bond premiums	3,382,940	-	200,892	3,182,048	200,892
Loans payable	2,190,173	-	44,725	2,145,448	-
Note payable	94,244	-	75,212	19,032	19,032
Total bonds, loans and note payable	47,486,840	-	2,286,944	45,199,896	2,188,903
Other long-term liabilities:					
Accrued compensated absences	9,760,216	-	169,011	\$ 9,591,205	5,865,631
Workers' compensaton	1,177,318	33,534	-	1,210,852	263,326
Net pension liability	46,973,396	-	2,409,118	44,564,278	-
Net OPEB liability	96,286,721	1,745,596	-	98,032,317	-
Total other long-term liabilities	154,197,651	1,779,130	2,578,129	153,398,652	6,128,957
Total long-term liabilities	\$ 201,684,491	\$ 1,779,130	\$ 4,865,073	\$ 198,598,548	\$ 8,317,860

Long-term liabilities of the University at June 30, 2017 consist of:

	Beginning Balance	(Restated) Additions	Reductions	(Restated) Ending Balance	Current Portion
Bond, loans and note payable:					
Bonds payable	\$ 39,806,037	\$ 3,795,907	\$ 1,782,461	\$ 41,819,483	\$ 1,870,449
Bond premiums	3,583,843	-	200,903	3,382,940	200,892
Loans payable	2,259,532	-	69,359	2,190,173	-
Note payable	161,919	-	67,675	94,244	81,546
Total bonds, loans and note payable	45,811,331	3,795,907	2,120,398	47,486,840	2,152,887
Other long-term liabilities:					
Accrued compensated absences	9,557,763	202,453	-	9,760,216	6,120,020
Workers' compensaton	958,082	219,236	-	1,177,318	222,168
Net pension liability	44,297,126	2,676,270	-	46,973,396	-
Net OPEB liability	-	96,286,721	-	96,286,721	-
Total other long-term liabilities	54,812,971	99,384,680	-	154,197,651	6,342,188
Total long-term liabilities	\$ 100,624,302	\$ 103,180,587	\$ 2,120,398	\$ 201,684,491	\$ 8,495,075

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2018 and 2017

Note 12 - **Long-Term Liabilities - Continued**

Bonds Payable - University

Over the past 13 years, the University, in association with the MSCBA, DCAMM and the Massachusetts Development Finance Agency (“MDFA”), has entered into financing and construction agreements for various campus projects. The projects are as follows:

O’Keefe Athletic Complex Fields

During fiscal year 2005, the University entered into an agreement with the MSCBA to initiate a construction project to upgrade the University’s athletic field at the O’Keefe Athletic Complex. The scope of the services provided by MSCBA included planning and design as well as project management and construction. The project was completed during fiscal year 2006. The source of financing for the project is based on the issuance of Project Revenue Bonds issued by MSCBA on behalf of the University (Series 2005A via First Albany Capital, Public Finance).

Through its agreement with MSCBA, the University has an agreement to re-pay this debt in semi-annual installments, which started June 30, 2005 and ends June 30, 2025 at an annual variable coupon rate averaging approximately 4.25%. The outstanding balance of this obligation including unamortized bond premium was \$1,428,553 and \$1,600,839 at June 30, 2018 and 2017, respectively.

Central Campus Athletic Field and Tennis Court

During fiscal year 2006, the MSCBA issued Project 2006A bonds to support a project for the construction of a multi-purpose athletic field and tennis courts on the Central Campus of the University. The University has an agreement with the MSCBA to re-pay this debt in semi-annual installments, which started May 1, 2006 and ends May 1, 2026, at an annual coupon rate of approximately 4.26%. The outstanding balance of this obligation including unamortized bond premium was \$1,812,335 and \$1,989,833 at June 30, 2018 and 2017, respectively.

Clean Renewable Energy Initiatives

During fiscal year 2008, the MDFA issued Clean Renewable Energy Bonds totaling \$214,500 on behalf of the University. The proceeds from this issue were used to install solar panels on various buildings on campus. Through its agreement with MDFA, the University agreed to re-pay this interest free debt with annual principal installments of \$14,300. The term of the issue is from December 31, 2007 to December 31, 2020. The outstanding balance of this obligation was \$57,200 and \$71,500 at June 30, 2018 and 2017, respectively.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2018 and 2017

Note 12 - **Long-Term Liabilities - Continued**

In September 2010, the Commonwealth of Massachusetts issued Clean Renewable Energy Bonds (“CREBS”) at 3.5%. From this bond issue, the University received \$289,995 for the purpose of acquiring and installing solar panels on the O’Keefe Center. The University makes semi-annual payments of interest and principal. The bond holder is Century Bank. The term of the bond extends to May 2027. The outstanding balance of the obligation was \$153,528 and \$170,585 at June 30, 2018 and 2017, respectively.

Harold E. and Marilyn J. Gassett Fitness & Recreation Center at the O’Keefe Athletic Complex

In January of 2012, the MSCBA issued 2012A Project Bonds. The University was allotted \$16,028,603 for the construction of a Fitness Center as part of the O’Keefe Athletic Complex. The University’s portion of this issue consisted of principal of \$14,230,000 with a premium of \$1,798,603. The term of this debt extends to June 30, 2036 with a true interest cost (“TIC”) of 3.94%. The outstanding balance of this obligation including unamortized bond premium was \$13,615,849 and \$14,114,243 at June 30, 2018 and 2017, respectively.

With this issue, the 2005 and 2006 bond issues were refinanced at the lower TIC. This resulted in lower interest payments on both the 2005 and 2006 bond issues starting with the MSCBA 2012 spring assessment until the respective maturity date of each bond. The Debt Service Reserve for the 2005 bond was also reduced by approximately \$159,000 leaving a balance of \$66,505. A debt service reserve remains for the 2006 bond in the amount of \$245,737, which is unchanged from FY 2012.

Sophia Gordon Center for Creative and Performing Arts Theatre and Other Projects

During January 2014, the MSCBA issued 2014 project bonds on behalf of the University. These bond proceeds along with other University funds are being used to fund the construction of various projects on campus. These projects include the creation of the Student Navigation Center, comprehensive renovations to the Sophia Gordon Center for Creative and Performing Arts Theatre, relocation of the Public Safety station and the development and creation of a parking lot on Assistance Corporation owned land. These bonds consist of principal in the amount of \$19,030,000, issued at a premium of \$2,243,187. The average annual coupon rate is approximately 4.0% over the life of the issue, and the term of this debt extends to June 30, 2033. The outstanding balance of this obligation including unamortized bond premium was \$18,262,953 and \$19,108,461 at June 30, 2018 and 2017, respectively. A debt service reserve remains for the 2014 bonds in the amount of \$1,161,098.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2018 and 2017

Note 12 - **Long-Term Liabilities - Continued**

Land Acquisition Bond

In addition to the MSCBA issued 2014 project bonds, the MSCBA held additional bond proceeds for the University to use for future land acquisitions. These bond proceeds were used for land acquisitions on behalf of the Assistance Corporation during the 2016 fiscal year and have been included as a contribution (expense) to the Assistance Corporation in these financial statements under Non-Operating Revenues (Expenses). This bond amount consists of principal in the amount of \$1,090,000, issued at a premium of \$53,758. The average annual coupon rate is approximately 4.8% over the life of the issue, and the term of this debt extends to June 30, 2048. The outstanding balance of this obligation including unamortized bond premium was \$1,093,865 and \$1,110,500 at June 30, 2018 and 2017, respectively.

Clean Energy Investment Program

During July 2013, the University entered into a Memorandum of Agreement with the Commonwealth of Massachusetts' DCAMM to undertake a Comprehensive Energy Performance Contracting Project – Phase 1 (the project). In addition, during February 2014, the University entered into a second Memorandum of Agreement with DCAMM related to the same project but known as Phase 2. The project's goal is to upgrade the University campus wide lighting and lighting controls, water conservation and vending machine controls, motors, steam traps, pipe insulation, kitchen hood controls, energy management system upgrades, high efficiency gas boilers and HVAC modifications.

During March 2016, the University entered into a Memorandum of Agreement with the Commonwealth of Massachusetts' DCAMM to undertake a Comprehensive Energy Performance Contracting Project - Phase 3 (the project). The project's goal is a comprehensive energy and water saving performance contract which includes ice rink renovations, lighting upgrades, EMS and HVAC upgrades.

The total project cost for Phase 1 is \$1,694,560 and is to be repaid over 15 years at 4.0% interest per annum. Annual payments of principal and interest for Phase 1 in the amount of \$152,411 commenced in January 2015. The total project cost for Phase 2 is \$2,291,402 and is to be repaid over 15 years at 3.75% interest per annum. Annual payments of principal and interest for Phase 2 in the amount of \$202,505 commenced in January 2015. The total project cost for the University for Phase 3 is \$2,801,950 and will be repaid over 20 years at 3.0% interest per annum commenced on January 1, 2018. The annual payments of principal and interest for Phase 3 amount to \$188,335 per annum. The outstanding balance of the obligations for Phase 1, 2 and 3 was \$5,831,064 and \$6,160,724 at June 30, 2018 and 2017, respectively.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2018 and 2017

Note 12 - **Long-Term Liabilities - Continued**

Property Acquisition - Garage Bond

MSCBA held excess bond proceeds on behalf of the University for future real estate Acquisitions. These bond proceeds were used for property acquisitions on behalf of the Assistance Corporation during June 2017 and have been included as a contribution (expense) to the Assistance Corporation in these financial statements under Non-Operating Revenues (Expenses). This bond amount consists of principal in the amount of \$780,069 and \$875,738 as of June 30, 2018 and 2017, respectively. There was a reduction of this bond by MSCBA during 2018. The average annual coupon rate is approximately 5.0% over the life of the issue, and the term of this debt extends to June 30, 2044.

Debt Service Reserves

Total debt service reserves held by the MSCBA for past bond issuances amount to \$1,473,340 at June 30, 2018 and 2017.

Bond Payable Maturities

Maturities of the bonds payable subsequent to June 30, 2018 are as follows:

Years Ending June 30,	Principal	Amortization of Premium	Interest	Total
2019	\$ 1,968,979	\$ 200,892	\$ 1,873,236	\$ 4,043,107
2020	2,064,279	200,892	1,788,802	4,053,973
2021	2,153,821	200,892	1,696,180	4,050,893
2022	2,243,219	200,892	1,604,842	4,048,953
2023	2,334,294	200,892	1,498,991	4,034,177
2024-2028	12,132,725	980,307	5,767,371	18,880,403
2029-2033	12,210,502	952,698	2,892,042	16,055,242
2034-2038	3,945,271	228,295	558,724	4,732,290
2039-2043	453,667	8,145	149,647	611,459
2044-2048	346,611	8,143	43,530	398,284
Total	<u>\$ 39,853,368</u>	<u>\$ 3,182,048</u>	<u>\$ 17,873,365</u>	<u>\$ 60,908,781</u>

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements

June 30, 2018 and 2017

Note 12 - **Long-Term Liabilities - Continued**

Note Payable University

During September 2013, a note payable was acquired for \$363,653 to purchase various equipment for use in the Gasset Fitness Center. The note payable term is for five years, requires monthly payments of \$6,364, has an average interest rate of 2% and is payable through August 2018. As of June 30, 2018 the outstanding balance on this note was \$19,032.

Long-term Liabilities - Assistance Corporation

Long-term liabilities for the Assistance Corporation at June 30, 2018 consisted of:

	Beginning Balance	Reductions	Ending Balance	Current Portion	Non-Current Portion
Notes Payable	\$ 1,422,166	\$ 68,563	\$ 1,353,603	\$ 66,127	\$ 1,287,476
Bonds payable	1,647,691	505,112	1,142,579	366,725	775,854
Total	<u>\$ 3,069,857</u>	<u>\$ 573,675</u>	<u>\$ 2,496,182</u>	<u>\$ 432,852</u>	<u>\$ 2,063,330</u>

Long-term liabilities for the Assistance Corporation at June 30, 2017 consisted of:

	Beginning Balance	Reductions	Ending Balance	Current Portion	Non-Current Portion
Notes payable	\$ 1,507,857	\$ 85,691	\$ 1,422,166	\$ 70,135	\$ 1,352,031
Bonds payable	2,136,400	488,709	1,647,691	350,010	1,297,681
Total	<u>\$ 3,644,257</u>	<u>\$ 574,400</u>	<u>\$ 3,069,857</u>	<u>\$ 420,145</u>	<u>\$ 2,649,712</u>

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements

June 30, 2018 and 2017

Note 12 - **Long-Term Liabilities - Continued**

Notes Payable Assistance Corporation

The Assistance Corporation has a promissory note outstanding with the Salem State University Foundation (“the Foundation”). Under the terms of this promissory note, the Assistance Corporation agreed to pay the Foundation \$400,000 plus interest accruing at 6.98% per annum. Principal payments in the amount of \$3,333 plus interest are due monthly. Subsequent to June 30, 2018, the University paid the remaining balance of \$206,667 on behalf of the Assistance Corporation.

The Assistance Corporation maintains a loan with a bank. The loan is a five-year adjustable rate mortgage due September 2022 with a 25-year amortization. Payments in the amount of \$6,856, including principal and interest at 3.95% are due monthly through August 2017 at which time the interest rate will be adjusted to 4.625% for the remainder of the term and the payments were reduced to \$6,625. A final balloon payment representing the outstanding balance is due in September 2022. The loan is secured by a mortgage on real estate owned by the Assistance Corporation.

The annual debt service requirements to maturity for the note payable are as follows:

Years Ending June 30,	Principal	Interest
2018	\$ 70,135	\$ 68,187
2019	70,187	65,420
2020	71,613	61,199
2021	73,107	56,893
2022	74,671	52,517
Thereafter	1,062,453	13,724
Total	<u>\$ 1,422,166</u>	<u>\$ 317,940</u>

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements

June 30, 2018 and 2017

Note 12 - **Long-Term Liabilities – Continued**

Bonds Payable Assistance Corporation

In August 2010, the Higher Education Funding Agency (“HEFA”) issued Revenue Bonds, Salem State University Assistance Corporation Issue, Series 2010A bearing interest at 3.26% with a maturity date of September 15, 2020 in the amount of \$4,700,000. HEFA sold the bonds to TD Bank and loaned the proceeds to the Assistance Corporation.

The loan proceeds were used to acquire additional rental property that would be leased to the University for approximately \$4,500,000 and to pay for associated financing and closing costs. This property is currently being leased under an agreement with Salem State University. Subsequent to June 30, 2018, principal and interest payments on the revenue bond payable for the remaining amounts due are as follows:

Years Ending June 30,	Principal	Interest
2019	\$ 366,725	\$ 31,801
2020	378,860	19,665
2021	396,994	2,973
Total	\$ 1,142,579	\$ 54,439

Note 13 - **Pensions**

Defined Benefit Plan Description

Certain employees of the University participate in a cost-sharing multiple-employer defined benefit pension plan – the Massachusetts State Employees’ Retirement System – administered by the Massachusetts State Board of Retirement (the “Board”), which is a public employee retirement system (“PERS”). Under a cost-sharing plan, pension obligations for employees of all employers are pooled and plan assets are available to pay the benefits through the plan, regardless of the status of the employers’ payment of its pension obligations to the plan. The plan provides retirement and disability benefits and death benefits to plan members and beneficiaries.

The Massachusetts State Employees’ Retirement System does not issue stand-alone financial statements. Additional information regarding the Plan is contained in the Commonwealth’s financial statements, which is available on-line from the Office of State Comptroller’s website.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements

June 30, 2018 and 2017

Note 13 – **Pensions - Continued**

Benefit Provisions

SERS provides retirement, disability, survivor and death benefits to members and their beneficiaries. Massachusetts General Laws (“MGL”) establishes uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member’s highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated based on the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member’s age, length of creditable service, and group creditable service, and group classification. The authority for amending these provisions rests with the Massachusetts State Legislature (the “Legislature”).

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65; for certain hazardous duty and public safety positions, normal retirement is at age 55. Most employees who joined the system after April 1, 2012 are not eligible for retirement until they have reached age 60.

Contributions

The SERS’ funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the SERS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets.

Member contributions for SERS vary depending on the most recent date of membership:

<u>Hire Date</u>	<u>Percent of Compensation</u>
Prior to 1975	5% of regular compensation
1975 - 1983	7% of regular compensation
1984 to 6/30/1996	8% of regular compensation
7/1/1996 to present	9% of regular compensation except for State Police which is 12% of regular compensation
1979 to present	An additional 2% of regular compensation in excess of \$30,000

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements

June 30, 2018 and 2017

Note 13 – **Pensions - Continued**

Contributions - continued

The Commonwealth does not require the University to contribute funding from its local trust funds for employee paid by state appropriations. Pension funding for employees paid from state appropriations are made through a benefit charge assessed by the Commonwealth. Such pension contributions amounted to \$8,336,988, \$7,462,847 and \$6,866,271 the years ended June 30, 2018, 2017 and 2016, respectively.

For employees covered by SERS but not paid from state appropriations, the University is required to contribute at an actuarially determined rate. The rate was 11.78%, 9.95% and 9.45% of annual covered payroll for the fiscal years ended June 30, 2018, 2017, and 2016, respectively. The University contributed \$3,117,853, \$2,716,688 and \$2,446,187 for the fiscal years ended June 30, 2018, 2017 and 2016, respectively, equal to 100% of the required contributions for each year. Annual covered payroll was approximately 68%, 68% and 70% of total related payroll for fiscal years end 2018, 2017 and 2016, respectively.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018 and 2017, the University reported a liability of \$44,564,278 and \$46,973,396 respectively, for its proportionate share of the net pension liability related to its participation in SERS. The net pension liability as of June 30, 2018, the reporting date, was measured as of June 30, 2017, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017 rolled forward to June 30, 2017. The net pension liability as of June 30, 2017, the reporting date, was measured as of June 30, 2016, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016 rolled forward to June 30, 2016.

The University's proportion of the net pension liability was based on its share of the Commonwealth of Massachusetts' collective pension amounts allocated on the basis of actual fringe benefit charges assessed to the University for the fiscal years 2018 and 2017, respectively. The Commonwealth's proportionate share was based on actual employer contributions to the SERS for fiscal years 2018 and 2017 relative to total contributions of all participating employers for the fiscal years. At June 30, 2018 and 2017, the University's proportion was 0.347% and 0.341%, respectively.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements

June 30, 2018 and 2017

Note 13 – **Pensions - Continued**

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – continued

For the years ended June 30, 2018 and 2017, the University recognized pension expense, as a result of GASB 68, of \$3,583,131 and \$4,420,084, respectively. These amounts are reported net of contributions made subsequent to the measurement date of \$3,117,853 and \$2,713,688 during the years ended June 30, 2018, and 2017, respectively. The University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30,

<u>Deferred Outflows of Resources Related to Pension</u>	<u>2018</u>	<u>2017</u>
Difference between expected and actual experience	\$ 1,723,036	\$ 2,231,111
Net differences between projected and actual earnings on pension plan investments	-	3,153,237
Change in plan actuarial assumptions, net	4,637,593	5,209,037
Changes in proportion from Commonwealth	152,634	104,648
Changes in proportion due to internal allocation	4,860,910	6,211,803
Contributions subsequent to the measurement date	<u>3,117,853</u>	<u>2,716,688</u>
Total deferred outflows related to pension	<u>\$14,492,026</u>	<u>\$19,626,524</u>

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements

June 30, 2018 and 2017

Note 13 – **Pensions - Continued**

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – continued

	<u>2018</u>	<u>2017</u>
<u>Deferred Inflows of Resources Related to Pension</u>		
Difference between expected and actual experience	\$ 1,212,481	\$ -
Net differences between projected and actual earnings on pension plan investments	530,984	-
Changes in proportion from Commonwealth	15,886	22,631
Changes in proportion due to internal allocation	<u>2,988,503</u>	<u>3,867,474</u>
Total deferred inflows related to pension	<u>\$ 4,747,854</u>	<u>\$ 3,890,105</u>

The University's contributions of \$3,117,853 and \$2,716,688 made during the fiscal years ending 2018 and 2017, respectively, subsequent to the measurement date will be recognized as a reduction of the net pension liability in each of the succeeding years. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as increases (decreases) in pension expense as follows:

Years Ending <u>June 30,</u>	
2018	\$ 1,974,002
2019	3,265,499
2020	1,701,741
2021	(283,023)
2022	<u>(31,900)</u>
	<u>\$ 6,626,319</u>

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements

June 30, 2018 and 2017

Note 13 – **Pensions - Continued**

Actuarial Assumptions

The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Measurement date	June 30, 2017	June 30, 2016
Inflation	3.00%	3.00%
Salary increases	4.00% to 9.00%	4.00% to 9.00%
Investment rate of return	7.50%	7.50%
Interest rate credited to annuity savings fund	3.50%	3.50%

For measurement dates June 30, 2017, mortality rates were based on:

- Pre-retirement - reflects RP-2014 Blue Collar Employees Table projected with Scale MP-2016 and set forward 1 year for females
- Post-retirement - reflects RP-2014 Blue Collar Healthy Annuitant Table projected with Scale MP-2016 and set forward 1 year for females
- Disability - the mortality rate is assumed to be in accordance with the RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2015 (gender distinct)

For measurement dates June 30, 2016, mortality rates were based on:

- Pre-retirement - reflects RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct)
- Post-retirement - reflects RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct)
- Disability - the mortality rate is assumed to be in accordance with the RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2015 (gender distinct)

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements

June 30, 2018 and 2017

Note 13 – **Pensions – Continued**

Actuarial Assumptions – continued

The 2018 pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of January 2017 and rolled forward to June 30, 2017. The 2017 pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of January 2016 and rolled forward to June 30, 2016.

Investment assets of SERS are with the Pension Reserves Investment Trust (“PRIT”) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund’s target asset allocation as of June 30, are summarized in the following table:

Asset Class	2018		2017	
	Target Allocation	Long-term expected real rate of return	Target Allocation	Long-term expected real rate of return
Global Equity	40%	5.00%	40%	6.90%
Core Fixed Income	12%	1.10%	13%	1.60%
Hedge Funds	0%	3.60%	9%	4.00%
Private Equity	11%	6.60%	10%	8.70%
Real Estate	10%	3.60%	10%	4.60%
Portfolio Completion Strategies	13%	3.60%	4%	3.60%
Value Added Fixed Income	10%	3.80%	10%	4.80%
Timber/Natural Resources	4%	3.20%	4%	5.40%
	100%		100%	

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements

June 30, 2018 and 2017

Note 13 – **Pensions – Continued**

Discount Rate

The discount rate used to measure the total pension liability was 7.5% at June 30, 2018 and 2017. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contributions rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following table illustrates the sensitivity of the net pension liability calculated using the discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate.

June 30, 2018		
Current		
1.00% Decrease (6.50%)	Discount Rate (7.50%)	1.00% Increase (8.50%)
\$ 60,694,691	\$44,564,278	\$ 31,570,844
June 30, 2017		
Current		
1.00% Decrease (6.50%)	Discount Rate (7.50%)	1.00% Increase (8.50%)
\$ 61,213,612	\$46,973,396	\$ 34,904,261

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements

June 30, 2018 and 2017

Note 14 – **Other Post-Employment Benefits**

Plan Description

As an agency of the Commonwealth, certain employees of the University participate in the Commonwealth's single employer defined benefit-OPEB plan – the State Retirees' Benefit Trust ("SRBT"). Benefits are managed by the Group Insurance Commission ("GIC") and investments are managed by the Pension Reserves Investment Management ("PRIM") Board. The GIC has representation on the Board of Trustees of the State Retirees' Benefits Trust ("Trustees").

The SRBT is set up solely to pay for OPEB benefits and the cost to administer those benefits. It can only be revoked when all such health care and other non-pension benefits, current and future, have been paid or defeased. The GIC administers benefit payments, while the Trustees are responsible for investment decisions.

Management of the SRBT is vested with the board of trustees, which consists of 7 members including the Secretary of Administration and Finance, the Executive Director of the GIC, the Executive Director of PERAC, the State Treasurer, the Comptroller, 1 person appointed by the Governor and 1 person appointed by the State Treasurer. These members elect 1 person to serve as chair of the board.

The SRBT does not issue a stand-alone audited financial statements, but is reflected as a fiduciary fund in the Commonwealth's audited financial statements.

Benefits Provided

Under Chapter 32A of the Massachusetts General Laws, the Commonwealth is required to provide certain health care and life insurance benefits for retired employees of the Commonwealth, housing authorities, redevelopment authorities and certain other governmental agencies. Substantially all of the Commonwealth's employees may become eligible for these benefits if they reach retirement age while working for the Commonwealth. Eligible retirees are required to contribute a specified percentage of the health care / benefit costs, which are comparable to contributions required from employees. Dental and vision coverage may be purchased by these groups with no subsidy from the Commonwealth.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements

June 30, 2018 and 2017

Note 14 – **Other Post-Employment Benefits - Continued**

Contributions

Employer and employee contribution rates are set by MGL. The Commonwealth recognizes its share of the costs on an actuarial basis. As of June 30, 2017 and 2016 and as of the valuation date (January 1, 2017), participants contributed 0% to 20% of premium costs, depending on the date of hire and whether the participant's status is active, retired, or survivor. As part of the fiscal year 2010 General Appropriation Act, all active employees pay an additional 5% of premium costs.

Effective beginning in fiscal year 2014, by statute the Commonwealth is required to allocate, to the SRBT, a portion of revenue received under the Master Settlement Agreement with tobacco companies, increasing from 10% in fiscal year 2014 to 100% by fiscal year 2023. In fiscal year 2017, 10% of tobacco settlement proceeds or approximately \$25 million was allocated to the SRBT. The percentage of proceeds to be transferred to the SRBT in fiscal year 2017 was set at 10%, overriding existing statute.

The Massachusetts General Laws governing employer contributions to SRBT determine whether entities are billed for OPEB costs. Consequently, SRBT developed an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner (based on an employer's share of total covered payroll). The University is required to contribute based on Massachusetts General Laws; the rate was 8.92% and 7.99% of annual covered payroll for the fiscal years ended June 30, 2018 and 2017, respectively. The University contributed \$2,360,585 and \$2,181,990 for the fiscal years ended June 30, 2018 and 2017, respectively, equal to 100% of the required contribution for the year.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018 and 2017, the University reported a liability of \$98,032,317 and \$96,286,721, respectively, for its proportionate share of the net OPEB liability related to its participation in SRBT. The total OPEB liability for the June 30, 2016 measurement date was determined by an actuarial calculation as of January 1, 2017 rolled back to June 30, 2016. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2017.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements

June 30, 2018 and 2017

Note 14 – **Other Post-Employment Benefits - Continued**

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - continued

The University's proportion of the net OPEB liability was based on its share of the Commonwealth's collective OPEB amounts allocated on the basis of an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner based on the University's share of total covered payroll for the fiscal years ended June 30, 2017 and 2016. The University's proportionate share was based on the actual employer contributions to the SRBT for fiscal years 2017 and 2016 relative to total contributions of all participating employers for the fiscal year. At June 30, 2018 and 2017, the University's proportion was 0.496% and 0.441%, respectively.

For the years ended June 30, 2018 the University recognized OPEB expense of \$4,708,696. The University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources at June 30, 2018:

<u>Deferred Outflows of Resources Related to OPEB</u>	
Contributions subsequent to the measurement date	\$ 2,360,585
Changes in the proportion from Commonwealth	208,995
Changes in the proportion due to internal allocation	<u>9,697,654</u>
Total deferred outflows related to OPEB	<u>\$12,267,234</u>
<u>Deferred Inflows of Resources Related to OPEB</u>	
Net differences between projected and actual earnings on OPEB plan investments	\$ 158,498
Differences between expected and actual experience	256,704
Changes in OPEB plan actuarial assumptions	<u>12,633,142</u>
Total deferred inflows related to OPEB	<u>\$13,048,344</u>

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements

June 30, 2018 and 2017

Note 14 – **Other Post-Employment Benefits - Continued**

Contributions

The University's contribution of \$2,360,585 and \$2,181,990 for the years ended June 30, 2018 and 2017, respectively, are reported as deferred outflows of resources related to OPEB resulting from University contributions subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending <u>June 30,</u>	
2019	\$ (749,283)
2020	(749,283)
2021	(749,283)
2022	(749,283)
2023	<u>(144,563)</u>
	<u>\$ (3,141,695)</u>

Actuarial Assumptions

The total OPEB liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of January 1, 2017 rolled back to June 30, 2016. The total OPEB liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of January 1, 2017. The following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Measurement date	June 30, 2017 and 2016
Inflation	3.00%
Salary increases	4.5% per year
Investment rate of return	7.5%, net of OPEB plan investment expense, including inflation
Health care cost trend rates	8.5%, decreasing by 0.5% each year to an ultimate rate of 5.0% in 2024 for Medical; 5.0% for EGWP; 5.0% for administrative costs

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements

June 30, 2018 and 2017

Note 14 – **Other Post-Employment Benefits - Continued**

Actuarial Assumptions- continued

The mortality rate was in accordance with RP 2014 Blue Collar Mortality Table projected with scale MP-2016 from the central year, with females set forward one year.

The participation rates are actuarially assumed as below:

- 100% of all retirees who currently have health care coverage will continue with the same coverage, except that retirees under age 65 with POS/PPO coverage switch to Indemnity at age 65 and those over 65 with POS/PPO coverage switch to HMO.
- All current retirees, other than those indicated on the census data as not being eligible by Medicare, have Medicare coverage upon attainment of age 65, as do their spouses. All future retirees are assumed to have Medicare coverage upon attainment of age 65.
- 80% of current and future contingent eligible participants will elect health care benefits at age 65, or current age if later.
- Actives, upon retirement, take coverage, and are assumed to have the following coverage:

	<u>Retirement Age</u>	
	<u>Under 65</u>	<u>Age 65+</u>
Indemnity	40.0%	85.0%
POS/PPO	50.0%	0.0%
HMO	10.0%	15.0%

The actuarial assumptions used in the January 1, 2017 valuation were based on the results of an actuarial experience study for the periods ranging July 1, 2015 through December 31, 2016, depending upon the criteria being evaluated. As a result of this actuarial experience study, the mortality assumption was adjusted in the January 1, 2017 actuarial valuation to more closely reflect actual experience as a result of the recent experience study completed by the Public Employee Retirement Administration Commission ("PERAC").

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements

June 30, 2018 and 2017

Note 14 – **Other Post-Employment Benefits - Continued**

Actuarial Assumptions- continued

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage.

The SRBT is required to invest in the PRIT Fund. Consequently, information about SRBT's target asset allocation and long-term expected real rate of return as of June 30, 2018, are the same as discussed in the Pension footnote number 13.

Discount Rate

The discount rates used to measure the total OPEB liability as of June 30, 2017 and 2016 were 3.63% and 2.88%, respectively. These rates were based on a blend of the Bond Buyer Index rates of 3.58% and 2.85%, respectively as of the measurement dates June 30, 2017 and 2016 and the expected rates of return. The OPEB plan's fiduciary net position was not projected to be available to make all projected future benefit payments for current plan members. The projected "depletion date" when projected benefits are not covered by projected assets is 2023. Therefore, the long-term expected rate of return on OPEB plan investments of 7.50% per annum was not applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2017 and 2016.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements

June 30, 2018 and 2017

Note 14 – **Other Post-Employment Benefits - Continued**

Sensitivity of the University's proportionate share of the net OPEB liability to changes in the discount rate

The following presents the University's proportionate share of the net OPEB liability, as well as what the University's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

June 30, 2018		
Current		
1.00% Decrease	Discount Rate	1.00% Increase
2.63%	3.63%	4.63%
\$ 119,123,945	\$ 98,032,317	\$ 81,824,436
June 30, 2017		
Current		
1.00% Decrease	Discount Rate	1.00% Increase
1.88%	2.88%	3.88%
\$ 118,221,565	\$ 96,286,721	\$ 79,584,493

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements

June 30, 2018 and 2017

Note 14 – **Other Post-Employment Benefits - Continued**

Sensitivity of the University's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates.

The following presents the University's proportionate share of the net OPEB liability, as well as what the University's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

Fiscal Year End	1.00% Decrease (B)	Current Healthcare Cost Trend Rate (A)	1.00% Increase (C)
June 30, 2017	\$ 80,640,112	\$ 98,032,317	\$ 121,455,908
June 30, 2016	78,863,170	96,286,721	119,682,729

(A) - The current healthcare cost trend rates are as follows: 9.0% (June 30, 2017) and 8.5% (June 30, 2016) for medical and 5.0% for both fiscal years 2017 and 2016 EGWP and administrative costs

(B) - The healthcare cost trend rates after a 1% decrease are as follows: 8.0% (June 30, 2017) and 7.5% (June 30, 2016) for medical and 4.0% for both fiscal years 2017 and 2016 EGWP and administration costs

(C) - The healthcare cost trend rates after a 1% increase are as follows: 10.0% (June 30, 2017) and 9.5% (June 30, 2016) for medical and 6.0% for both fiscal years 2017 and 2016 EGWP and administration costs

Note 15 - **Deferred Inflows of Resources**

Service Concession Arrangements

Deferred inflows of resources include contributions made by certain vendors. The University's food service operations are managed under an agreement by an outside party. In accordance with an agreement and subsequent amendments, the vendor has made several contributions over the period from January 2002 through October 2015 totaling \$4,380,000.

The term of the agreement was extended until 2022, and the amortization tables were adjusted accordingly. Either party may terminate this agreement at any time, without cause, by providing sixty days written notice. In the event of termination, the unamortized portion is to be returned. At June 30, 2018 and 2017, the unamortized portion of these contributions approximated \$501,000 and \$658,000, respectively.

Amounts related to agreements with other vendors at June 30, 2018 and 2017 approximated \$245,000 and \$340,000, respectively.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements

June 30, 2018 and 2017

Note 16 - **Rental Income**

Assistance Corporation

The Assistance Corporation has long-term operating leases with lessees, including Salem State University. Minimum future rentals under the non-cancellable operating leases subsequent to June 30, 2018 are as follows:

Years Ending June 30,	Amount
2019	\$ 1,545,290
2020	1,343,126
2021	1,230,868
2022	769,055
2023	788,281
Thereafter	18,341,902
Total	<u>\$ 24,018,522</u>

The base rent under one of the lease agreements with the University is equal to the monthly debt service on the debt held by TD Bank. The terms of the lease agreement require the University to remit monthly rent directly to TD Bank. The University, at its discretion, may make additional rent payments to be applied to the outstanding debt balance.

Note 17 - **Operating Lease Commitments**

The University has numerous operating leases for property at various locations from the Assistance Corporation and for equipment from outside vendors. These leases contain options to extend from one to five years, and contain escalation clauses for increases in base rent.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements

June 30, 2018 and 2017

Note 17 - **Operating Lease Commitments - Continued**

These leases expire in various years through 2040. Future minimum payments related to these leases are as follows:

Years Ending June 30,	Assistance Corporation	Outside Vendors	Total
2019	\$ 1,757,506	\$ 364,676	\$ 2,122,182
2020	1,791,377	10,539	1,801,916
2021	1,261,764	10,539	1,272,303
2022	963,398	2,635	966,033
2023	984,655	-	984,655
Thereafter	18,349,751	-	18,349,751
Total	<u>\$ 25,108,451</u>	<u>\$ 388,389</u>	<u>\$ 25,496,840</u>

The rent expense on these leases amounted to approximately \$1,589,909 and \$1,423,000 for fiscal years 2018 and 2017, respectively.

Note 18 - **Restricted Net Position**

The University is the recipient of funds that are subject to various external constraints upon their use, either as to purpose or time. These funds are comprised of the following at June 30:

	2018	2017
Restricted - nonexpendable:		
Scholarship and fellowship	<u>\$ 866,367</u>	<u>\$ 810,323</u>
Restricted - expendable:		
Scholarship, fellowship loans, research grants and contracts	<u>\$ 5,737,349</u>	<u>\$ 5,174,752</u>

The Foundation's restricted - nonexpendable and expendable net position consists of investments to be utilized for various scholarships and program support.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements

June 30, 2018 and 2017

Note 19 - **Commitments and Contingencies**

The University is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions and natural disasters for which the Commonwealth is self-insured.

Various lawsuits are pending or threatened against the University which arise in the ordinary course of operations. In the opinion of management, no litigation is now pending, or threatened which would materially affect the University's financial position.

The University receives significant financial assistance from federal and state agencies in the form of grants. Expenditures of funds under these programs require compliance with the grant agreements and are subject to audit. Any disallowed expenditure resulting from such audits becomes a liability of the University. In the opinion of management, such adjustments, if any, are not expected to materially affect the financial condition of the University.

The University participates in the Massachusetts College Savings Prepaid Tuition Program (the "Program"). This Program allows individuals to pay in advance for the future tuition at the cost of tuition at the time of election to participate, increased by changes in the Consumer Price Index plus 2%. The University is obligated to accept as payment of tuition the amount determined by this Program without regard to standard tuition rates in effect at the time of the individual's enrollment at the University. The effect of the program cannot be determined as it is contingent on future tuition increases and the Program participants who attend the University.

The U.S. Environmental Protection Agency ("EPA") notified the University in August 1998 that it is a potential responsible party with respect to environmental impacts resulting from contaminated soil upon the removal of underground oil tanks in 1991. The EPA has not closed out their investigation. During fiscal year 2018 and 2017, the University paid no remediation costs and received no communication from federal or state agencies. In the opinion of management, such adjustments, if any, are not expected to materially affect the financial condition of the University.

Several of the employee collective bargaining agreement contracts have expired. Negotiations for most but not all have been completed. Some retroactive payments will likely be made when all required steps of having the contracts be ratified, signed, formally approved and funded have occurred. The university has not recognized a liability for the retroactive compensation as of the date of these financial statements because the legal requirements to establish the obligation for retroactive payments have not been fulfilled in the entirety as of balance sheet date. The estimated amount of retroactive payments of salary and related fringe benefits is approximately \$2.1 million.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements

June 30, 2018 and 2017

Note 20 - **Operating Expenses**

The University's operating expenses, on a natural classification basis, are comprised of the following at June 30:

	2018	2017
Compensation and benefits	\$ 126,053,251	\$ 122,984,490
Supplies and services	38,659,003	37,324,136
Utilities	4,107,227	4,179,198
Depreciation	8,902,845	8,476,817
Scholarships and fellowships	6,185,534	5,626,549
Total operating expenses	\$ 183,907,860	\$ 178,591,190

Note 21 - **Fringe Benefit Program**

The University participates in the Commonwealth's Fringe Benefit programs, including active employee and post-employment health insurance, unemployment, pension and workers' compensation benefits. Health insurance costs for active employees and retirees are paid through a fringe benefit rate charged to the University by the Commonwealth.

The overall fringe benefit charge increased from 35.16% in 2017 to 36.27% in 2018 which includes 1.66% and 1.41% in payroll taxes, respectively. The retirement portion of the fringe benefit charge increased from 9.95% in 2017 to 11.78% in 2018. In addition to providing pension benefits, under Chapter 32A of the Massachusetts General Laws, the Commonwealth is required to provide certain health care and life insurance benefits for retired employees of the Commonwealth, housing authorities, redevelopment authorities and certain other governmental agencies. Substantially all of the Commonwealth's employees may become eligible for these benefits if they reach retirement age while working for the Commonwealth. Eligible retirees are required to contribute a specified percentage of the health care benefit costs which is comparable to contributions required from employees. The Commonwealth is reimbursed for the cost of benefits to retirees of the eligible authorities and non-state agencies.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements

June 30, 2018 and 2017

Note 21 - **Fringe Benefit Program - Continued**

The amount of funding by the University related to benefits other than pensions for the years ended June 30, 2018, 2017, and 2016 were \$5,963,606, \$6,528,137, and \$5,202,742, respectively, which equaled the required contributions each year charged to it through the Commonwealth's fringe benefit recovery program.

Insurance

The Group Insurance Commission ("GIC") was established by the Legislature in 1955 to provide and administer health insurance and other benefits to the Commonwealth's employees, retirees, their dependents and survivors. The GIC also covers housing and redevelopment authorities' personnel, participating municipalities and retired municipal employees and teachers in certain governmental units.

Health coverage options include an Indemnity plan, Preferred Provider-type Organizations ("PPO"), an Exclusive Provider Organization ("EPO") and multiple HMO plans. The GIC also manages basic and optional life insurance coverage. As part of its UniCare State indemnity and active employee Tufts Health plans, it manages mental health/substance abuse benefits and also manages pharmacy benefits for the indemnity plans.

For active state employees only, the GIC offers a long-term disability ("LTD") program, two pre-tax employee programs - Health Care Spending Account ("HCSA") and Dependent Care Assistance Program ("DCAP"), and for managers, legislators, legislative staff and certain Executive Office staff, a dental/vision plan. The GIC also offers a discount vision and a dental plan for Commonwealth retirees.

The GIC administers a plan included within the State Retiree Benefits Trust Fund, an irrevocable trust. Any assets accumulated in excess of liabilities to pay premiums or benefits or administrative expenses are retained in that fund. The GIC's administrative costs are financed through Commonwealth appropriations and employee investment returns. The Legislature determines employees' and retirees' contribution ratios. The GIC does not issue separately audited financial statements. The financial position and results of operations of the plan are incorporated in the Commonwealth's financial statements, a copy of which may be obtained from the Office of the State Comptroller, Commonwealth of Massachusetts, One Ashburton Place, Room 901, Boston, MA 02108.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements

June 30, 2018 and 2017

Note 21 - **Fringe Benefit Program - Continued**

Insurance – continued

The GIC is a quasi-independent state agency governed by an 17-member body (the "Commission") appointed by the Governor. The GIC is located administratively within the Executive Office of Administration and Finance, and is responsible for providing health insurance and other benefits to the Commonwealth's employees and retirees and their survivors and dependents. During the fiscal years ended June 30, 2018 and 2017, the GIC provided health insurance for its members through indemnity, PPO and HMO plans. The GIC also administered carve-outs for the pharmacy benefit and mental health and substance abuse benefits for certain of its health plans. In addition to health insurance, the GIC sponsors life insurance, long-term disability insurance (for active employees only), dental and vision coverage for employees not covered by collective bargaining, a retiree discount vision plan and retiree dental plan, and finally, a pre-tax health care spending account and dependent care assistance program (for active employees only).

Note 22 - **Massachusetts Management Accounting Reporting System ("MMARS")**

Section 15C of Chapter 15A of the Massachusetts General Laws requires Commonwealth Colleges and Universities to report activity of campus-based funds to the Comptroller of the Commonwealth on the Commonwealth's Statewide Accounting System, MMARS, using the statutory basis of accounting. The statutory basis of accounting is a modified accrual basis of accounting and differs from the information included in these financial statements. The amounts reported on MMARS meet the guidelines of the Comptroller's Guide for Higher Education Audited Financial Statements.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements

June 30, 2018 and 2017

Note 22 - **Massachusetts Management Accounting Reporting System (“MMARS”) – Continued**

The University’s state appropriations are composed of the following at June 30:

	<u>2018</u>	<u>2017</u>
General Appropriations	\$ 44,505,633	\$43,997,174
Other Appropriations	898,555	938,772
Total Appropriations	<u>\$ 45,404,188</u>	<u>\$44,935,946</u>
 <u>Add:</u>		
Fringe benefits for benefited employees on the state payroll	15,649,915	14,765,927
 <u>Less:</u>		
Day school tuition remitted to the state and included in tuition and fee revenue	<u>(926,090)</u>	<u>(934,235)</u>
Total unrestricted appropriations	<u>\$ 60,128,013</u>	<u>\$58,767,638</u>

A reconciliation between the University and MMARS fund 901 activity as of June 30 is as follows (unaudited):

	<u>2018</u>	<u>2017</u>
Revenue per MMARS	\$ 129,190,586	\$67,280,576
Revenue per University	<u>129,190,586</u>	<u>67,280,576</u>
Difference	<u>\$ -</u>	<u>\$ -</u>

Note 23 - **Pass-Through Student Federal Loans**

The University distributed approximately \$49,009,000 and \$48,492,000 for the years ended June 30, 2018 and 2017, for student loans through the William D. Ford Federal Direct Lending Program. These distributions and related funding sources are not included in the accompanying financial statements.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements

June 30, 2018 and 2017

Note 24 - **Massachusetts State College Building Authority (“MSCBA”)**

The MSCBA was created pursuant to Chapter 703 of the Act of 1963 of the Commonwealth as a public instrumentality for the general purpose of providing residence halls and other facilities for use by students of the state universities of the Commonwealth, as well as major construction projects on their campuses. The residence halls are leased from the MSCBA for various terms, allowing for periods of up to 10 years.

The University is charged a semi-annual revenue assessment that is based on a certified occupancy report, the current rent schedule and the design capacity for each of the residence halls, as well as debt service on instruments issued for dormitory and other major construction projects for the University. This revenue assessment is used by MSCBA to pay principal and interest due on its long-term debt obligations.

These obligations may include the costs of periodic renovations and improvements to the residence halls, as well as other major construction performed on campus, which has included athletic field construction and repair.

The portions of the semi-annual Revenue Assessments paid to the MSCBA by the University for residence halls, related maintenance, insurance, other costs, historical pooled obligations and other major renovations and improvements for the University for the years ended June 30, 2018 and 2017 were \$14,354,200 and \$14,049,442, respectively, and are included in auxiliary enterprises and operation and maintenance of plant in the accompanying statements of revenues and expenses. All facilities and obligations of the MSCBA are included in the financial statements of the MSCBA.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Draft

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Schedule of Proportionate Share of Net Pension Liability (Unaudited)

Massachusetts State Employees' Retirement System

Year ended	June 30, 2018	June 30, 2017	June 30, 2016
Measurement date	June 30, 2017	June 30, 2016	June 30, 2015
Valuation date	January 1, 2017	January 1, 2016	January 1, 2015
Proportion of the collective net pension liability	0.347%	0.341%	0.389%
Proportionate share of the collective net pension liability	\$ 44,564,278	\$ 46,973,396	\$ 44,297,126
University's covered- payroll	\$ 27,303,392	\$ 25,885,577	\$ 23,448,807
University's proportionate share of the net pension liability as a percentage of its covered payroll	163.22%	181.47%	188.91%
Plan fiduciary net position as a percentage of the total pension liability	67.21%	63.48%	67.87%

Notes:

The GASB pronouncement requiring the presentation of the information on this schedule became effective for years beginning after June 15, 2014 and is intended to provide data for the most recent ten years.

See accompanying notes to the required supplementary information.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Schedule of Contributions - Pension (Unaudited)

Massachusetts State Employees' Retirement System

For the Years Ended June 30,

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutorily required contribution	\$ 3,117,853	\$ 2,716,688	\$ 2,446,187
Contributions in relation to the statutorily required contribution	<u>(3,117,853)</u>	<u>(2,716,688)</u>	<u>(2,446,187)</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered- payroll	\$ 26,467,350	\$ 27,303,397	\$ 25,885,577
Contribution as a percentage of covered payroll	11.78%	9.95%	9.45%

Notes:

Employers participating in the Massachusetts State Employees' Retirement System are required by MA General Laws, Section 32, to contribute an actuarially determined contribution rate each year.

The GASB pronouncement requiring the presentation of the information on this schedule became effective for years beginning after June 15, 2014 and is intended to provide data for the most recent ten years.

See accompanying notes to the required supplementary information.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Required Supplementary Information - Pension (Unaudited)

For the Years Ended June 30, 2018, 2017 and 2016

Note 1 - **Change in Plan Actuarial and Assumptions**

Measurement date – June 30, 2017

The mortality rates were changed as follows:

- Pre-retirement – was changed from RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct) to RP-2014 Blue Collar Employees Table projected generationally with Scale MP-2016 and set forward 1 year for females
- Pre-retirement – was changed from RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct) to RP-2014 Blue Collar Employees Table projected generationally with Scale MP-2016 and set forward 1 year for females
- Disability – did not change

Measurement date – June 30, 2016

The assumption for salary increases changed from a range of 3.5% to 9.0% depending on group and length of service to a range of 4.0% to 9.0% depending on group and length of service.

Chapter 176 of the Acts of 2011 created a one-time election for eligible members of the Optional Retirement Plan (“ORP”) to transfer to the SERS and purchase service for the period while members of the ORP. As a result, the total pension liability of SERS increased by approximately 400 million as of June 30, 2016.

Measurement date – June 30, 2015

The discount rate to calculate the pension liability decreased from 8.0% to 7.5%

In May 2015, Chapter 19 of the Acts of 2015 created an Early Retirement Incentive (“ERI”) for certain members of SERS who upon election of the ERI retired effective June 30, 2015. As a result, the total pension liability of SERS increased by approximately \$230 million as of June 30, 2015.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Required Supplementary Information - Pension (Unaudited)

For the Years Ended June 30, 2018, 2017 and 2016

Note 1 - **Change in Plan Actuarial and Assumptions - Continued**

The mortality rates were changed as follows:

- Pre-retirement – was changed from RP-2000 Employees table projected 20 years with Scale AA (gender distinct) to RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct)
- Post-retirement – was changed from RP-2000 Healthy Annuitant table projected 15 years with Scale AA (gender distinct) to RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct)
- Disability – was changed from RP-2000 table projected 5 years with Scale AA (gender distinct) set forward three years for males to RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2015 (gender distinct)

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Schedule of Proportionate Share of Net OPEB Liability (Unaudited)

State Retirees' Benefit Trust

Year ended	June 30, 2018	June 30, 2017
Measurement date	June 30, 2017	June 30, 2016
Valuation date	January 1, 2017	January 1, 2016
Proportion of the collective net OPEB liability	0.496%	0.441%
Proportionate share of the collective net OPEB liability	\$ 98,032,317	\$ 96,286,721
University's covered payroll	\$ 27,303,392	\$ 25,885,577
University's proportionate share of the net OPEB liability as a percentage of its covered payroll	359.05%	371.97%
Plan fiduciary net position as a percentage of the total OPEB liability	4.80%	3.81%

Notes:

The GASB pronouncement requiring the presentation of the information on this schedule became effective for years beginning after June 15, 2017 and is intended to provide data for the most recent ten years.

See accompanying notes to the required supplementary information.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Schedule of Contributions - OPEB (Unaudited)

State Retirees' Benefit Trust

For the Years Ended June 30,

	<u>2018</u>	<u>2017</u>
Statutorily required contribution	\$ 2,360,585	\$ 2,181,990
Contributions in relation to the statutorily required contribution	<u>(2,360,585)</u>	<u>(2,181,990)</u>
Contribution (excess)/deficit	<u>\$ -</u>	<u>\$ -</u>
University's covered payroll	\$ 26,467,350	\$ 25,885,577
Contribution as a percentage of covered payroll	8.92%	8.43%

Notes:

Employers participating in the State Retirees' Benefit Trust are required by MA General Laws, Section 32, to contribute an actuarially determined contribution rate each year.

The GASB pronouncement requiring the presentation of the information on this schedule became effective for years beginning after June 15, 2017 and is intended to provide data for the most recent ten years.

See accompanying notes to the required supplementary information.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Required Supplementary Information – OPEB (Unaudited)

For the Years Ended June 30, 2018 and 2017

Note 1 - **Change in Plan Assumptions**

Assumptions

The discount rate was increased to 3.63% based upon a blend of the Bond Buyer Index rate as of the measurement date as required by GASB Statement 74. The June 30, 2016 discount rate was calculated to be 2.80%. This increase in the discount rate resulted in a decrease in the net OPEB liability of approximately \$3.08 billion as of June 30, 2017.

Draft

**SUPPLEMENTARY
INFORMATION**

Draft

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Schedules of Net Position
Dormitory Trust Fund Report (Unaudited)

June 30, 2018 and 2017

	<u>Assets</u>	
	<u>2018</u>	<u>2017</u>
Assets:		
Cash and equivalents	\$ 1,721,284	\$ 1,608,759
Accounts receivable, net	213,955	169,855
Other receivables, net	<u>3,640</u>	<u>-</u>
 Total Assets	 \$ 1,938,879	 \$ 1,778,614
	<u>Liabilities and Net Position</u>	
Liabilities:		
Accounts payable	\$ 85,856	\$ 78,756
Accrued payroll and fringe benefits	122,641	139,944
Accrued compensated absences	<u>254,431</u>	<u>260,155</u>
 Total Liabilities	 462,928	 478,855
 Net Position	 <u>1,475,951</u>	 <u>1,299,759</u>
 Total Liabilities and Net Position	 \$ 1,938,879	 \$ 1,778,614

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Schedules of Revenues, Expenses, and Changes in Net Position
Dormitory Trust Fund Report (Unaudited)

For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Revenues:		
Student fees	\$ 19,747,000	\$ 18,929,872
Less: scholarships and fellowships	(1,225,911)	(1,007,558)
Commissions	62,135	55,501
Rentals	173,852	269,019
Total Revenues	<u>18,757,076</u>	<u>18,246,834</u>
Expenses:		
Regular employee compensation	2,264,418	2,419,958
Regular employee related expenses	413	259
Special employee compensation	782,093	821,780
Pension and insurance related	742,724	831,956
Administrative	824,048	279,957
Facility operational	169,237	182,046
Energy and space rental	1,461,606	1,465,616
Operational services	54,093	33,681
Equipment purchase	73,971	22,232
Equipment maintenance	776,273	726,971
Loans and special payments	12,213,027	11,848,929
Information technology	12,186	8,047
Total Expenses	<u>19,374,089</u>	<u>18,641,432</u>
Excess of Expenses over Revenues Before Transfers	(617,013)	(394,598)
Net Transfers	<u>793,205</u>	<u>450,563</u>
Total Increase (Decrease) in Net Position	<u>176,192</u>	<u>55,965</u>
Net Position, Beginning of Year	<u>1,299,759</u>	<u>1,243,794</u>
Net Position, End of Year	<u>\$ 1,475,951</u>	<u>\$ 1,299,759</u>

**Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with
*Government Auditing Standards***

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS***

To the Board of Trustees of
Salem State University
Salem, Massachusetts

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Salem State University (the "University"), which comprise the statements of net position as of June 30, 2018, the related statements of revenues, expenses and changes in net position, cash flows, the combining statements of net position of major component units, and combining statements of revenues and expenses of major component units for the year then ended, and the related notes to the financial statements, which collectively comprise Salem State University's basic financial statements and have issued our report thereon dated **DATE** We also performed the audit of the Salem State University Foundation and the Salem State University Alumni Association's financial statements, as of and for the year ended June 30, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Salem State University's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the University's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Salem State University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**Certified Public Accountants
Braintree, Massachusetts**

DATE

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

**INDEPENDENT AUDITORS' REPORTS AS REQUIRED
BY THE UNIFORM GUIDANCE AND *GOVERNMENT*
AUDITING STANDARDS AND RELATED
INFORMATION**

JUNE 30, 2018

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

**Independent Auditors' Reports as Required by the Uniform Guidance and
Government Auditing Standards and Related Information**

June 30, 2018

C O N T E N T S

Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	1-3
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	4-5
Schedule of Expenditures of Federal Awards	6-8
Notes to the Schedule of Expenditures of Federal Awards	9-10
Schedule of Findings and Questioned Costs	11-21
Required Auditee Information:	
Management's Summary Schedule of Prior Audit Findings	22-23
Management's Corrective Action Plan	24-27

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL
OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM
GUIDANCE**

To the Board of Trustees of
Salem State University
Salem, Massachusetts

Report on Compliance for Each Major Federal Program

We have audited Salem State University's (the "University") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2018. The University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.

Opinion on Each Major Federal Program

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as Finding 2018-001 through 2018-004. Our opinion on each major federal program is not modified with respect to these matters.

The University's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The University's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the University, as of and for the year ended June 30, 2018. We issued our report thereon dated **DATE**, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Certified Public Accountants
Braintree, Massachusetts

DATE

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

To the Board of Trustees of
Salem State University
Salem, Massachusetts

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Salem State University (the "University"), which comprise the statements of net position as of June 30, 2017, the related statements of revenues, expenses and changes in net position, cash flows, the combining statements of net position of major component units, and combining statements of revenues and expenses of major component units for the year then ended, and the related notes to the financial statements, which collectively comprise Salem State University 's basic financial statements and have issued our report thereon dated **DATE**.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Salem State University 's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University 's internal control. Accordingly, we do not express an opinion on the effectiveness of the University 's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the University 's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Salem State University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**Certified Public
Accountants Braintree,
Massachusetts**

DATE

**SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS**

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2018

	CFDA Number	Pass-Through Entity	Pass-Through Entity Award Number	Federal Expenditures	Passed Through to Subrecipients
STUDENT FINANCIAL ASSISTANCE CLUSTER					
U.S. Department of Education:					
Direct Awards:					
Federal Supplemental Educational Opportunity Grant	84.007	N/A	N/A	\$ 409,638	\$ -
Federal Work-Study Program	84.033	N/A	N/A	396,834	-
Federal Perkins Loan Program (beginning of year)	84.038	N/A	N/A	1,433,891	-
Federal Perkins Loan Program (current year expenditure)	84.038	N/A	N/A	146,566	-
Federal Pell Grant Program	84.063	N/A	N/A	12,142,284	-
Federal Direct Student Loans	84.268	N/A	N/A	49,009,163	-
Teachers Education Assistance for College Grant	84.379	N/A	N/A	20,072	-
Nursing Student Loans (beginning of year)	93.364	N/A	N/A	573,197	-
Nursing Student Loans (current year expenditures)	93.364	N/A	N/A	140,750	-
Total Student Financial Assistance Cluster				64,272,395	-
TRIO CLUSTER					
U.S. Department of Education:					
Direct Awards:					
Student Support Services	84.042	N/A	N/A	455,312	-
Upward Bound	84.047	N/A	N/A	420,582	-
Total TRIO Cluster				875,894	-

See accompanying notes to the schedule of expenditures of federal awards.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Schedule of Expenditures of Federal Awards - Continued

Year Ended June 30, 2018

	CFDA Number	Pass-Through Entity	Pass-Through Entity Award Number	Federal Expenditures	Passed Through to Subrecipients
RESEARCH AND DEVELOPMENT CLUSTER					
National Science Foundation:					
Direct Awards:					
Agricultural Research	47.076	N/A	N/A	30,360	-
Learning of Physics and Programing	47.076	N/A	N/A	11,572	-
Subtotal - Direct Awards				<u>41,932</u>	-
U.S. Department of Health and Human Services					
Pass- through Awards:					
Title X Family Planning	93.217		N/A	5,708	-
Phonological Research	93.173		N/A	60,511	-
Subtotal - Pass-through Awards				<u>66,219</u>	-
Total Research and Development Cluster				<u>108,151</u>	-
NON-CLUSTER					
U.S. Small Business Administration					
Pass-through Awards:					
Small Business Development Center	59.037	University of Massachusetts	N/A	374,993	-
Subtotal - Direct Awards				<u>374,993</u>	-

See accompanying notes to the schedule of expenditures of federal awards.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Schedule of Expenditures of Federal Awards - Continued

Year Ended June 30, 2018

	CFDA Number	Pass-Through Entity	Pass-Through Entity Award Number	Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Education:					
Direct Awards:					
English as a Second Language	84.195	N/A	N/A	7,616	-
Subtotal - Pass-through Awards				7,616	-
U.S. Department of Justice:					
Direct Awards:					
Violence Against Women	16.525	N/A	N/A	70,195	-
Subtotal - Direct Awards				70,195	-
Total Non-Cluster				452,804	-
Total Federal Funds				\$ 65,709,244	\$ -

See accompanying notes to the schedule of expenditures of federal awards.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2018

Note 1 - **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of Salem State University (the “University”) under programs of the Federal Government for the year ended June 30, 2018. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net position or cash flows of the University.

Note 2 - **Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance.

Note 3 - **Indirect Cost Rate**

The University has elected to not use the 10-percent de minimis cost rate allowed under the Uniform Guidance.

Note 4 - **Federal Student Loan Programs**

Perkins Loan Program

The Federal Perkins Loan Program (“Perkins”) is administered directly by the University and balances and transactions relating to this program are included in the University’s basic financial statements. During the year ended June 30, 2018, \$146,566 of loans were advanced under the Perkins program and no administrative costs were incurred. As of June 30, 2018, loan balances receivable, under Perkins was \$1,363,700.

There was no federal capital contribution or match by the University during the current year.

Nursing Student Loans

The Nursing Student Loan Program is administered by Salem State University. Fiscal year 2017 activity included loan funds disbursed of \$140,750. As of June 30, 2018, the loan balances receivable for this program was \$589,093.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2018

Note 4 - **Federal Student Loan Programs - Continued**

Direct Student Loan Program

The University disbursed \$49,009,163 of loans under the Federal Direct Student Loans program, which include Stafford Subsidized and Unsubsidized Loans and Parent Plus Loans. It is not practical to determine the balances of the loans outstanding to students of the University under the program as of June 30, 2018. The University is only responsible for the performance of certain administrative duties and, accordingly, these loans are not included in the University's financial statements.

Draft

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Schedule of Findings and Questioned Costs

Year Ended June 30, 2018

Section I – Summary of Auditors’ Results:

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? _____ yes x no
- Significant deficiencies identified that are not considered to be material weaknesses? _____ yes x no

Noncompliance material to the financial statements noted? _____ yes x no

Federal Awards

Type of auditors’ report issued on compliance for major programs: Unmodified

Internal control over major programs:

- Material weaknesses identified? _____ yes x no
- Significant deficiencies identified that are not considered to be material weaknesses? _____ yes x no

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? x yes _____ no

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Schedule of Findings and Questioned Costs - Continued

Year Ended June 30, 2018

Identification of Major Programs

Name of Federal Program or Cluster	CFDA Number
Student Financial Assistance Cluster	
Federal Supplemental Educational Opportunity Grant Program	84.007
Federal Work-Study Program	84.033
Federal Perkins Loan Program	84.038
Federal Pell Grant Program	84.063
Federal Direct Student Loans	84.268
Teachers Education Assistance for College Grant	84.379
Nursing Student Loans	93.364
Trio Cluster	
Student Support Services	84.042
Upward Bound	84.047
Small Business Development Center	59.037

Dollar threshold used to distinguish between
type A and type B programs:

\$750,000

Auditee qualified as a low-risk auditee?

yes no

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Schedule of Findings and Questioned Costs - Continued

Year Ended June 30, 2018

Section II – Financial Statement Findings:

None

Draft

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Schedule of Findings and Questioned Costs - Continued

Year Ended June 30, 2018

Section III – Federal Award Findings and Questioned Costs:

Finding number: 2018-001
Federal agency: U.S. Department of Education
Programs: Student Financial Assistance Cluster
CFDA #'s: 84.063
Award year: 2018

Criteria

According to 34 C.F.R. Section 668.22(j)(1):

An institution must return the amount of Title IV funds from which it is responsible as soon as possible but no later than 45 days after the date of the institution's determination that the student withdrew.

Condition

Federal regulations state that any unearned Title IV grant or loan assistance received by a student must be refunded to the Title IV programs upon a student's withdrawal from the institution. The academic institution is responsible for the calculation of the earned and unearned portion of Title IV assistance using a standard Return of Title IV Funds form ("R2T4"). In our testing sample of 14 students who were determined to have withdrawn from the University, we noted one student for whom funds were not returned within the required 45 days. Our audit disclosed that the funds were not returned until 85 days after the 45-day disbursement timeframe. The total amount to return was \$851.

Cause

The University has policies and procedures in place to perform this calculation for all students who withdraw. However, in this instance the student stopped attending and was placed on an administrative leave of absence (ADML) and notified of such by the University. This withdrawal code, ADML, was not included on the in-semester query performed by the University. As such, the R2T4 calculation was not performed until the University conducted their end of semester enrollment procedures to identify students who had unofficially withdrawn.

Effect

The University did not complete the R2T4 Form or return the unearned portion of aid within the established time frame.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Schedule of Findings and Questioned Costs - Continued

Year Ended June 30, 2018

Questioned Costs

None - Funds have been returned.

Perspective

Our sample was not, and was not intended to be, statistically valid. Of fourteen students selected for testing, aid for one student (7.1%) was not returned within the required 45 days.

Identification as a Repeat Finding, if applicable

See finding 2017-001 included in Management's Summary Schedule of Prior Audit Findings.

Recommendation

The University should review their current procedures to ensure students who are placed on ADML are captured on the withdrawn student listing.

Views of Responsible Officials and Implementation Dates

The University agrees with this finding. The source of the discrepancy was identified and has been corrected. All reporting for the purposes of identifying students requiring a return of Title IV funds has been altered to include the administrative leave of absence. All future changes in business process or coding regarding leaves and withdrawals will be developed in consultation with the institutional officer responsible for performing R2T4 calculations to ensure that any changes are properly incorporated into reporting moving forward.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Schedule of Findings and Questioned Costs - Continued

Year Ended June 30, 2018

Finding number: 2018-002
Federal agency: U.S. Department of Education
Programs: Student Financial Assistance Cluster
CFDA #'s: 84.063
Award year: 2018

Criteria

According to 34 C.F.R. Section 668.16(f):

An institution must develop and applies an adequate system to identify and resolve discrepancies in the information that the institution receives from different sources with respect to a student's application for financial aid under Title IV, HEA programs.

Condition

Federal regulations state that a school must designate a capable individual as the coordinating official whose responsibilities include, but are not limited to, resolving discrepancies between conflicting information received by offices within the institution. Our testing of forty students with enrollment status changes noted one instance where the withdrawal date reported to the National Student Loan Data System ("NSLDS") was inconsistent with the withdrawal date used by the University in the Return of Title IV Funds form ("R2T4") calculation.

Cause

The Financial Aid and Registrar's office were contacted by the student on different dates. Each office completed their respective tasks independent of one another. This lack of communication resulted in each office using a different effective date of withdrawal.

Effect

The University reported the student's status as withdrawn to the NSLDS with an effective date of March 5, 2018 while the R2T4 calculating the earned portion of the student's Federal Aid used February 20, 2018.

Questioned Costs

N/A

Perspective

Our sample was not, and was not intended to be, statistically valid. Of forty students selected for testing, one instance (2.5%) where the withdrawal date reported to the National Student Loan Data System ("NSLDS") was inconsistent with the withdrawal date used by the University in the Return of Title IV Funds form ("R2T4") calculation

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Schedule of Findings and Questioned Costs - Continued

Year Ended June 30, 2018

Identification as a Repeat Finding, if applicable

Not applicable.

Recommendation

The University should review its current policies and procedures to ensure the various departments involved in reporting student status changes to the NSLDS and calculating the return of Federal aid appropriately address situations where conflicting information exists between the various departments of the University.

Views of Responsible Officials and Implementation Dates

The University agrees with this finding. This occurred due to very unusual circumstances in which a student directly contacted the school financial aid officer responsible for R2T4 calculations regarding their attendance status. The employee correctly calculated the R2T4 based on the verbal report from the student that they were no longer attending and the employee's direct knowledge of the student's situation. Typically, the financial aid office is not the initial recipient of the information from the student that they are no longer attending. The discrepancy arose as the official paperwork was not submitted by the student to another office until several days later. The paperwork was processed according to normal business processes based on the date of the official notification to the university of the withdrawal. It is very unlikely that this specific set of circumstances would arise in future, but to ensure that it does not, any R2T4 calculations performed as a result of a direct report to Financial Aid will also be reported to the responsible staff person in the Registrar's Office to ensure a consistent determination of the last date of attendance.

SALEM STATE UNIVERSITY
 (an agency of the Commonwealth of Massachusetts)

Schedule of Findings and Questioned Costs - Continued

Year Ended June 30, 2018

Finding number: 2018-003
Federal agency: U.S. Department of Education
Programs: Student Financial Assistance Cluster
CFDA #'s: 84.063
Award year: 2018

Criteria

According to 34 C.F.R. Section 668.22(E)(4):

The unearned amount of Title IV assistance to be returned is calculated by subtracting the amount of Title IV assistance earned by the student as calculated under paragraph (e) (1) of this section from the amount of Title IV aid that was disbursed to the student as of the date of the institution's determination that the student withdrew.

Condition

The Financial Aid Office is responsible for completing the Return of Title IV calculation to determine how much Title IV aid the student earned and how much the University must return to the Department of Education. Once the Return of Title IV calculation is completed, the University is responsible for adjusting the student's billing statement and returning unearned Title IV funds through the U.S. Department of Education's Grant Management System ("G5"). The University has 45 days from the date they determined the student withdrew to return any unearned portions of Title IV funds. During our testing of fourteen students we noted one student where the aid returned was different than the amount correctly calculated on the R2T4. The actual amount of aid returned was \$1,610 whereas the correct amount of aid that should have been returned was \$1,645.76. The University corrected this error in August 2018.

Cause

The University correctly completed the Return of Title IV Funds form ("R2T4") calculation. However, human error resulted in an incorrect adjustment amount entered into the University's student information system, PeopleSoft. This resulted in the University returning the incorrect amount of Title IV aid.

Effect

The amount of unearned Title IV funds removed from the student's account and returned to the Department of Education was incorrect.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Schedule of Findings and Questioned Costs - Continued

Year Ended June 30, 2018

Perspective

Our sample was not, and was not intended to be, statistically valid. Of fourteen students selected for testing, one student (7.1%) had the incorrect amount of funds returned.

Identification as a Repeat Finding, if applicable

Not applicable.

Recommendation

The University should review their current procedures to ensure the amount of Federal aid returned agrees with the amount calculated on the R2T4 form.

Questioned Costs

None – proper amount of funds have been returned.

Views of Responsible Officials and Implementation Dates

The University agrees with this finding. This is a result of a key entry error in the manual piece of this process. We spot check on a daily basis as part of our quality control, but because the data varies so widely an error is difficult to detect. We will continue our quality control for the manual transfer of data between systems and also explore opportunities to automate this process.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Schedule of Findings and Questioned Costs - Continued

Year Ended June 30, 2018

Finding number: 2018-004
Federal agency: U.S. Department of Education
Programs: Trio Cluster
CFDA #'s: 84.042
Award year: 2018

Criteria

According to the U.S. Department of Education all grantees under the Student Support Services (SSS) Program must submit an annual performance report (APR) as a condition of the grant award. Specifically, Section II of the APR requires the detailed information on SSS participants as defined in 34 CFR 646.3 which states:

A student is eligible to participate in a Student Support Services project if the student meets all of the following requirements: (a) Is a citizen or national of the United States or meets the residency requirements for Federal student financial assistance. (b) Is enrolled at the grantee institution or accepted for enrollment in the next academic term at that institution. (c) Has a need for academic support, as determined by the grantee, in order to pursue successfully a postsecondary educational program. (d) Is— (1) A low-income individual; (2) A first generation college student; or (3) An individual with disabilities.

Condition

The Student Support Services department at the University is responsible for compiling the necessary information required to complete the APR, as well as preparing and filing the APR. During our testing of thirty SSS students we noted one instance where an individual was included as a continuing participant for the academic year after they had graduated from the University.

Cause

The University incorrectly included this former student and SSS participant in the listing of participants for year covered by the APR under audit.

Effect

The APR report listed an incorrect number of participants.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Schedule of Findings and Questioned Costs - Continued

Year Ended June 30, 2018

Perspective

Our sample was not, and was not intended to be, statistically valid. Of thirty SSS individuals selected for testing, one individual (3.3%) was noted to have not been a student at the University or received services from SSS during the period reported in the APR.

Identification as a Repeat Finding, if applicable

Not applicable.

Recommendation

The University should review its procedures and controls used to listings of SSS participants to ensure the information included on the ARP is accurate.

Questioned Costs

Not Applicable.

Views of Responsible Officials and Implementation Dates

The University agrees with this finding. Human error was the cause of this particular compliance issue.

Management's Summary Schedule of Prior Audit Findings
Year Ended June 30, 2018

Finding number: 2017-001
Federal agency: U.S. Department of Education
Programs: Student Financial Assistance Cluster
CFDA #: Multiple
Award year: 2017

Condition

The Federal Government requires the University to report student enrollment changes to NSLDS within 60 days. Our testing of forty students with enrollment status changes had the following:

Three students' status changes were not reported to NSLDS within the 60-day required time frame. Reporting of this status change occurred between 61 and 107 days after the required deadline.

Current Year Status:

Corrective action was taken during the year.

Management's Summary Schedule of Prior Audit Findings
Year Ended June 30, 2018

Finding number: 2017-002
Federal agency: U.S. Department of Education
Programs: Student Financial Assistance Cluster
CFDA #'s: Multiple
Award year: 2017

Condition

Federal regulations state that any unearned Title IV grant or loan assistance received by a student must be refunded to the Title IV programs upon a student's withdrawal from the institution. The academic institution is responsible for the calculation of the earned and unearned portion of Title IV assistance using a standard Return of Title IV Funds form ("R2T4"). In our testing sample of 12 students who were determined to have withdrawn from the University, we noted one student for whom funds were not returned within the required 45 days. Our audit disclosed that the funds were not returned until 227 days after the 45-day disbursement timeframe, respectively. The total amount to return was \$1,692.

Current Year Status

As noted in finding 2018-001 there was one student whose aid was not returned within the established timeframe.

Management's Corrective Action Plan
Year Ended June 30, 2018

Finding number: 2018-001
Federal agency: U.S. Department of Education
Programs: Student Financial Assistance Cluster
CFDA #'s: 84.063
Award year: 2018

Corrective Action

The source of the discrepancy was identified and has been corrected. All reporting for the purposes of identifying students requiring a return of Title IV funds has been altered to include the administrative leave of absence. All future changes in business process or coding regarding leaves and withdrawals will be developed in consultation with the institutional officer responsible for performing R2T4 calculations to ensure that any changes are properly incorporated into reporting moving forward.

Timeline for Implementation of Corrective Action Plan:

Corrective action was taken during the year.

Contact Person:

Judy Cramer
Financial Aid Director

Management's Corrective Action Plan
Year Ended June 30, 2018

Finding number: 2018-002
Federal agency: U.S. Department of Education
Programs: Student Financial Assistance Cluster
CFDA #'s: 84.063
Award year: 2018

Corrective Action

The discrepancy arose as the official paperwork was not submitted by the student to another office until several days later. The paperwork was processed according to normal business processes based on the date of the official notification to the university of the withdrawal. It is very unlikely that this specific set of circumstances would arise in future, but to ensure that it does not, any R2T4 calculations performed as a result of a direct report to Financial Aid will also be reported to the responsible staff person in the Registrar's Office to ensure a consistent determination of the last date of attendance.

Timeline for Implementation of Corrective Action Plan:

Corrective action was taken during the year.

Contact Person:

Judy Cramer
Financial Aid Director

Management's Corrective Action Plan
Year Ended June 30, 2018

Finding number: 2018-003
Federal agency: U.S. Department of Education
Programs: Student Financial Assistance Cluster
CFDA #'s: 84.063
Award year: 2018

Corrective Action

This is a result of a key entry error in the manual piece of this process. We spot check on a daily basis as part of our quality control, but because the data varies so widely an error is difficult to detect. We will continue our quality control for the manual transfer of data between systems and also explore opportunities to automate this process.

Timeline for Implementation of Corrective Action Plan:

Corrective action was taken during the year.

Contact Person:

Judy Cramer
Financial Aid Director

Draft

Management's Corrective Action Plan
Year Ended June 30, 2018

Finding number: 2018-004
Federal agency: U.S. Department of Education
Programs: Trio Cluster
CFDA #'s: 84.042
Award year: 2018

Corrective Action

The University will review all students who are included in the Student Support Service Annual Performance Report against their attendance records and University enrollment to ensure all active students are included.

Timeline for Implementation of Corrective Action Plan:

Corrective action was taken during the year.

Contact Person:

Martine Francois
Director Trio Student Support Services

Draft